

Labour policies make London a haven for the super-rich

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This year's *Sunday Times* Rich List of the 1,000 wealthiest people in Britain contains a record number of billionaires. The past year saw a 23.3 percent increase, the highest rise in a year ever recorded, giving the top 1,000 a staggering £249,615 billion between them.

When Tony Blair's Labour government took office eight years ago, the wealth of the richest 1,000 stood at £98.99 billion. In the past eight years, the super-rich have accrued more wealth under Labour than they did under the previous Conservative government. In 2005, the top 10 alone are worth £52.55 billion, £10 billion more than the top 200 were worth under the Tories 10 years ago.

As a result of Labour's economic policies, the top 1 percent of society has seen its share of the national wealth rise to a proportion greater than at any time since the 1930s. According to the Office for National Statistics, the 600,000 people who make up this group doubled their wealth to £797 billion in the first six years of the Labour government.

The share of national wealth for the super-rich grew from 20 to 23 percent, while that for the poorest 50 percent shrank from 10 percent in 1986 to 5 percent in 2002.

The focus for much of this wealth is London. The *Sunday Times* calculates that 503 of the top 1,000 live in the capital or its surrounding areas. As a March 7 article in the *New Statesman* pointed out, "London is said to have 40 billionaires, 13 of whom are foreign. There is no place in the world like it. They are welcomed with open arms. The capital has become the world's most significant tax haven. Theirs is a parallel world, in which the purveyors of yachts, private jets and other accoutrements cannot keep up with demand. Where else in the world could you acquire a diamond-

encrusted swimsuit for £15 million?"

The *Times* notes: "Many of our millionaires traditionally depart these shores on a Friday for the warmer and more tax friendly climes of Monaco." The reason for this is the continued existence of a tax scam that dates back to the colonial era.

Under the rules for "non-domiciled resident tax status," those who spend less than 90 days a year in the UK are exempted from paying tax on earnings from overseas investments in offshore tax havens. The beneficiaries of this loophole pay tax on UK earnings, and therefore dole out very good money to accountants to keep this portion of their income to a minimum. Up to 100,000 people are said to benefit from this provision, which is unique in Europe.

Back in 1994, Labour's Gordon Brown—now chancellor of the exchequer—pledged he would close off the loophole. "It is not fair that a wealthy few be allowed to work or live in the UK without making a fair contribution through taxation," he said.

But as the *New Statesman* explained, "In 2002 the Treasury committed itself to act, only to be bombarded by pleas and threats from wealthy 'non-doms'—several of whom are Labour donors. They warned that any attempt to make them pay up would drive them out of the UK. The government says it is 'reviewing' the situation."

More than 85 of the top 1,000 richest people listed in 2004 owed their wealth wholly or mainly to property. For example, number two on the rich list was the Duke of Westminster, with a net worth of £5,000 million. Westminster owns 100 acres in Mayfair and 200 acres in Belgravia, two of the capital's most sought after areas for both business and residential premises. In 2005, Westminster had dropped to third place in the list due to the rise of foreign billionaires, such as the steel

tycoon Lakashmi Mittal, worth an estimated £14.8 billion, and Chelsea Football Club owner and oil magnate Roman Abramovich, whose wealth is put at £7.5 billion. Even so, Westminster added a further £600 million to his fortune in the past year.

Ordinary people who work in London are increasingly unable to afford to live there. The government's recent budget decision to raise the threshold for stamp duty to £120,000 to aid first-time home buyers had virtually no impact in London, where it is impossible to find even the most basic of accommodation at that price.

The cost of buying a home in the capital more than doubled in the five-year period between 1996 and December 2001. Figures from the Royal Institution of Chartered Surveyors (RICS) for the second quarter of 2002 put the average weekly rent for a two-bedroom unfurnished privately rented property at £425 in Inner London and £219 in Outer London. The average rent for this property type across Britain was £108 per week. A 2003 RICS survey put the average rent per calendar month for a one bedroom flat in London at £1,159, more than double the national average of £543.

High rents are fuelled by a systemic housing shortage in the capital, leading to the highest rates of overcrowding in the country. In 2000-2001, one-fifth of London households, double the rate in England overall, had less than 1.5 rooms per person. In the same year, the capital had 25 percent of all homelessness acceptances, half of all people sleeping rough in England, and a fifth of all households on local authority waiting lists.

The number of people accepted as homeless actually began to fall in the last years of the previous Tory government, but rose again under "New Labour." From 2001 to 2002, some 31,000 households were accepted as homeless, an increase of 5 percent over the previous year.

A report published in 2002 by the Greater London Authority detailed the drastic situation confronting ordinary working people in the city. The report, titled "London Divided," states that the capital has the highest incidence of child poverty, after housing costs are taken into account, of any region in Britain. What the report called "income poverty" is said to be particularly concentrated in Inner London, "where the scale of income poverty for children, working age

adults and pensioners is significantly greater than for any region in Great Britain."

After housing costs, 41 percent of children in London as a whole are living in income poverty, while in Inner London the figure is 53 percent, as against 33 percent in Outer London and 30 percent nationally.

Though Inner London wages are generally higher than the rest of the country, this does not outweigh the cost of housing. After housing costs, some 30 percent of Inner London working-age adults are in income poverty, while Outer London has the same figure—19 percent—as other areas of Britain.

Fully 36 percent of pensioners in Inner London are in poverty, compared to 25 percent nationally and 21 percent in Outer London. Thirty-three percent of children in London are living in families without work, compared to 22 percent nationally.

For those in work, income varies greatly according to the type of employment. An increase in better-paid jobs in the 1990s for those with high qualifications was accompanied by a decline in lower-paid and unskilled jobs. Inequality of earnings were exacerbated in the 1990s by the fact that manual workers saw a rise of only 9 percent in real earnings between 1991 and 2001, compared to 26 percent for men in non-manual occupations. For female workers, the figures are 12 percent and 31 percent respectively.

The figures underscore the appraisal made by the Socialist Equality Party in its statement, "The British working class and the 2005 general election". As it states, "The fabulous increase in the wealth of a tiny stratum of society has little or nothing to do with the actual performance of the British economy. Rather, it is the outcome of the drive, intensified under the Blair government, to create a form of protectorate for the super-rich through a combination of property and stock market speculation and the impoverishment of the working class.

"Official politics is now the exclusive domain of the most privileged social layers, whose further enrichment is tied to the increasing globalisation of the economy."



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