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Book Review Symposium

Tom Clark and Anthony Heath 2015 [2014] **Hard Times: Inequality, Recession, Aftermath**, Aftermath, New Haven and London: Yale University Press

Introduction to the book symposium

When the copy of *Hard Times* landed on my desk I knew this would be a timely book for a symposium. Not only were we entering the election year at a time when coalition cuts were under great scrutiny, but it is a time when the very nature of the postwar settlement is being transformed. While there has been much discussion about the recent welfare cuts and their effects on the poor, there has been very little sustained analysis of the crisis facing the British economy and the welfare state. *Hard Times* is the result of an unusual collaboration between an academic and a journalist. Typically, where professional commitments and norms of communication prevent such collaborations, this book shows how productive such collaborations can be. The book uses a variety of statistical data on the economy and the deep welfare cuts which have gradually eroded the safety net which characterized the postwar settlement. But it also gives a voice to those who have been directly affected by the cuts revealing the extraordinary disruption that the crisis has created in people's lives. One implication of the book is that the conjoined crises of the economy and welfare state are such that few will escape its consequences. There are many points to consider: how far should we trace the origins of this crisis? To what extent can those among the 'squeezed middle' who support austerity, and may have voted for the Tories in this general election, continue their tacit support for austerity? If not austerity, then what kinds of solutions are needed to tackle the economic crisis? From where will the political will to tackle rising inequalities emerge? At the *BJS* we have been keen to use the book review space to create a more lively dialogue between authors and critics. As will be

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evident, there are differing answers to these questions. We hope that this symposium will stimulate further debate on these crucial questions for our time.

Manali Desai,
Book Review Editor

Hard times are only going to get harder

David Blanchflower

The UK has experienced the slowest recovery in 300 years and the third slowest in six hundred and fifty years behind, in order, the Black Death and the South Sea Bubble. It took five and a half years for the UK to restore lost output compared with approximately four years in the Great Depression. GDP in Q42014 was 3.5 per cent above its starting level. This slow recovery is even more surprising given the fact that the UK's population age 16 and over has risen 5.4 per cent since the start of 2008. GDP per head in constant prices in the UK in 2014Q3 was still 1.8 per cent below its starting level in 2008Q1. Employment is 1.2 million higher than it was in 2008, with half of this growth being in self-employment; there has also been a sharp rise in the numbers of temporary workers as well as the numbers on zero-hours contracts (ONS 2015).[1]

The ONS finds evidence that it is likely that individual workers are likely to hold multiple zero hours contracts because the number of such contracts reported by businesses is more than twice as high as the numbers reported by workers. The employment to population rate of those ages 16 and over was 59.6 per cent in December 2014 compared to a high of 60.4 per cent in May 2008. The labour market crisis in the UK has fallen especially hard on the young who have been faced with a double whammy; they are unable to find jobs, but when they are lucky enough to find a job they are especially likely to have fewer hours than the youngsters would like and be temporary and low paying.

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Living standards in the UK have collapsed, especially for the typical worker. The UK's national statistic on wages, called Average Weekly Earnings (AWE) has risen from £424 a week in April 2008 when the recession started, to £489 a week in March 2015 or by 15.3 per cent. Over the same period the price level rose, as measured by the CPI, by 19.0 per cent implying an unprecedented fall in real wages of 3.7 per cent, despite the fact that the UK entered deflation in April 2015. Since the coalition was formed in May 2010 real wages, based on the AWE and deflating with the CPI, real wages have fallen an unprecedented 2 per cent. Real wages of the self-employed in the UK have fallen by over 20 per cent since the onset of recession.

In the USA real wages have remained broadly flat since 2008. Employment to population rate in the USA for those aged 16 and over is 59.3 per cent at the start of 2015, as in the UK, well below the 63.3 per cent seen in the middle of 2007. US GDP in Q42014 is 8.5 per cent above its starting level. In both countries there are significant levels of labour market slack over and above the unemployment rate. In my research with Andrew Levin and David Bell we estimate that the level of labour market slack is about 7.5 per cent in both countries (Blanchflower and Levin 2015; Bell and Blanchflower 2014: F4–F11). In the UK it is principally from underemployment whereas in the USA it is a mix of the underemployed and the hidden unemployed who have left the labour force but who will return when the good times roll. In the most recent data for January 2015, for example, there was a rise of over a million in the size of the labour force employment rose by 750,000 while unemployment increased by around 300,000, resulting in a rise of the unemployment rate from 5.6 per cent to 5.7 per cent. The number of those saying they were part-time for economic reasons increased slightly on the month from 6,790,000 to 6,810,000. These high levels of labour market slack help explain why there is no evidence of any significant pickup in nominal wage growth, although there has been recently in real wages because of the dramatic fall in the oil price (Blanchflower 2015: F76–F20).

These continue to be 'Hard Times'.

Tom Clark and Anthony Heath (henceforth CH) in their impressive and fascinating book *Hard Times* have done a fantastic job documenting who has been hurt and how by the Great Recession along with what they call the withering of community bonds. There is no Big Society. The modern world has been hit by an economic tornado which was not quite 1933; there has been no General Strike and no Jarrow March. Central banks learned the lessons from the 1930s and cut interest rates and bought assets through quantitative easing programmes. In 2009 governments around the world injected fiscal stimuli which, in combination with loose monetary policy created a steady recovery. But by 2010 the austerity small state counter movement argued that none of this was appropriate and all the fiscal stuff that worked was put into reverse gear. In the UK the leaders of the new coalition government claimed the UK was bankrupt and comparable to Greece which of course was untrue, given the UK had its own central bank and currency that it could borrow in. Such loose reckless talk destroyed what Keynes called animal spirits; business and consumer confidence quickly collapsed. Over the five quarters from 2008Q2 to 2009Q2 GDP fell 6.2 per cent. Over the next five quarters Q32009-Q32010 the UK economy grew 2.7 per cent including 1 per cent in Q22008. Over the following flatlining nine quarters Q42010-Q42012 the economy grew only 1.9 per cent. The coalition is responsible for the slowest recovery in hundreds of years by inhibiting the economy's natural tendency to recover.

CH's book is unashamedly about inequality as well as about recession and it is a lot about the squeezed middle. The book's theme is that the deep societal problems laid bare by the recession – problems of anxiety and isolation – were always more structural than cyclical. A rich country, they argue, should be perfectly able to endure getting a bit poorer, during a passing downturn. The UK they argue, and I agree, didn't run into all the dislocation they uncovered because the crisis suddenly created frailty in downtrodden communities. It simply exposed underlying problems with deep roots in the long decades before, when inequality had run out of control.

I should say at the outset I really like the book a lot; it is vital reading for anyone who wants to understand the impact of the worst downturn in a generation. It uses the best empirical evidence, places it in historical perspective, especially from the 1930s, with an obvious passion. There is a certain darkness in their writing in the sense that a lot of the book says *here we go again*; they really aren't that hopeful that any of this is going to get fixed. They obviously care about the plight of the meek and the mild.

CH identify the high levels of insecurity and underemployment that have resulted from this latest bust, which have been slower to disappear than the decline in the unemployment rate would suggest. They rightly point out that 'most people desperately want to work, which is why – in popular imagination and experience – joblessness is the defining feature of hard times' (Clark and Heath 2015 [2014]: 50). Unemployment is indeed a major source of unhappiness; and the underemployed, the working insecure and the poor, 'have shared in around half of the misery of the jobless'. There is little evidence to support the contention that the unemployed are a bunch of lazy scroungers; the evidence is that Marx's reserve army of the unemployed is a conscript army and not a volunteer army. Even though the unemployment rate didn't rise to anything like it did in the 1930s, this really was the *big hurt*.

The young, the fragile and the weak suffered most and what they document is the evidence from behavioural economics that not just absolute things matter but so do relative things. If I buy a BMW and then you do, my happiness doesn't rise as much as if you didn't get one; if we are all in it together then that's fine but if you do well and I don't then watch out. The young especially have done badly at the expense of the old. The young's dreams, say CH were 'put in the deep freeze'. The slump hit sectors such as construction and manufacturing that traditionally provided better paying working-class jobs disproportionately hard. Jobs created in the recoveries, especially in the UK, have tended to be low-paying and insecure. CH are right though; contemporary Britain and America were not broken by the Great Recession as the USA was by the Great Depression.

But CH do note some social and economic surprises. First, the immediate effect of the Great Recession in the UK was not disproportionately felt by the poor. State action through taxes and benefits ensured that the initial squeeze was shared far and wide. In the new foreword to the paperback edition the authors make clear that line is now heavily qualified, both because of new data from the IFS on differential inflation hammering the poor, and also because of the coalition's commitments to cut benefits and tax credits as the poorest income groups lost the biggest share of their incomes on average (Emmerson, Johnson and Miller 2014; De Agostini, Hills and Sutherland 2014). Second, those who have been hurt have been surprisingly compliant: crime rates have fallen not risen and there haven't been widespread riots. Third there has not been a major uptick in suicide rates in the USA or the UK, although there has been in Greece, for example, or a major drop in levels of well-being over the crisis. If we look at the Eurobarometer survey 69.2 administered in the UK between March and May 2008 when asked '*how satisfied are you with your life?*' 34 per cent said very satisfied 55 per cent said fairly satisfied and 11 per cent said not very or not at all satisfied. In November–December 2013 in Eurobarometer 80.2 the answers were 42 per cent very satisfied with 50 per cent fairly satisfied. In the new and much larger ONS well-being surveys there has been no significant change in happiness or life satisfaction measures between 2011 and 2013. This has not been a happiness reducing recession.

In both the UK and the USA what CH call the 'gradual evolution of disadvantage' has taken place; the weak are hit more than the strong. The least educated and minorities lost out the most from what CH call the *dynamics of casualization*. The levels of youth unemployment per se doesn't seem to be the major factor what seems to matter but the rate relative to adults appears to. There were riots in Sweden among minorities even though the unemployment rates compared with many countries were low but they were high relative to white adults. Communities matter; fairness matters. The ratio of youth unemployment rates to adult rates is especially high in the UK. Older people were forced back to work as the value of their pensions fell. Interestingly older workers report they would like fewer hours while younger workers say they would like more hours.

The pain hasn't been evenly spread, so contrary to what George Osborne, the UK Chancellor of the Exchequer has frequently claimed, there is no evidence we are 'all in this together'. Far from it. CH argue that 'a true economic hurricane engulfed the rich world' as it did in the 1930s. As then the bust was preceded by a housing boom which started in the USA, this time in the sub-prime housing market. The similarities to the past are well documented by John Kenneth Galbraith in his classic book *The Great Crash* which showed that the 1929 crash started in the Florida housing market and just spread. I have always been struck by the quote from Keynes from his classic 1931 paper on unemployment.

> For it is a possibility that the duration of the slump may be much more prolonged than most people are expecting and much will be changed both in our ideas and in our methods before we emerge. Not, of course the duration of the acute phase of the slump, but that of the long, dragging conditions of semi-slump, or at least sub-normal prosperity, which may be expected to succeed the acute phase. (Keynes 1931)

Clark and Heath explain clearly what the *long dragging conditions of semi-slump* look like in the twenty-first century. Flickers of depressionary social psychology, CH note applied in the 1930s when cigarettes and cinema tickets were about the only goods with rising sales. In the Great Recession Britons developed a taste for more sugary and fattier foods. Shoppers switched to supermarket own brands, drinking less in the pub and cooking with leftovers, doing more home cooking, more mending of clothes and more vegetable growing. The rising use of food banks is an obvious concern. There is evidence that people have substituted processed foods for fruit and vegetables with the result that indicators of nutritional quality have dropped. Traditionally the lipstick index tends to be negatively correlated with economic health as women substitute lipstick for more expensive purchases like dresses and shoes in times of economic distress. During the Great Recession sales of lipsticks fell but what did rise were sales of nail polish, which women bought to feel good.

Austerity in the UK introduced by the coalition government in the spring of 2010 destroyed growth and caused the economy to flatline for three years; growth only returned when the automatic stabilisers were allowed to kick in. Cuts in public investment and a rise in VAT which is a highly regressive tax at the same time that tax rates at the top end were reduced, which generated a sense of unfairness. There is a deep sense of bifurcation and polarization. The influx of young, hard-working, highly-educated and mobile workers from the ten Accession countries who came to the UK since 2004 in search of work, are the scapegoats for anti-immigrant parties such as the UK Independence Party. More than 2.5 million workers from these countries have registered for National Insurance numbers. They have higher employment rates than the UK born, and have greased the wheels of the labour market and made it function more efficiently, lowering the NAIRU. But they, along with youngsters from

Spain and Greece who came to the UK to work to escape their own Great Depression, are widely resented for taking British jobs. Labour market anxiety and insecurity prevails.

Interest rates remain at the Zero Lower Bound and show little sign that they will rise any time soon. In 2009 when I was on the MPC voting to cut rates I thought at the time that rates would remain close to zero for five years. I haven't changed that view and don't expect to see them rise in the USA in 2015 and in the UK before 2020, not least because of the fact that 70 per cent of UK mortgages are variable rates with the remainder fixed for quite short periods. Any rise in rates would wipe out many homeowners. There is even talk that rates might have to be cut even further in the UK. The £375 billion of assets the Bank of England purchased show no signs of being sold off. The next move might even be to buy more as the pound strengthens against the Euro; who would have thought we had entered the era of currency skirmishes.

The newly elected Tory government in July 2015 is apparently set to announce a second round of austerity in its July Emergency Budget. It is crucial to evaluate this Budget's impact on inequality and poverty, in light of an important study published by the OECD entitled *'In It Together. Why Less Inequality Benefits All'*. The econometric analysis suggests that income inequality has a sizeable and statistically significant negative impact on growth. When income inequality rises, economic growth falls. The OECD also reports that redistribution through income taxes and cash benefits does not necessarily harm growth. It is inequality at the bottom of the income distribution that hampers growth. The OECD concludes that

> focusing exclusively on growth and assuming that its benefits will automatically trickle down to the different segments of the population may undermine growth in the long run in as much as inequality actually increases. On the other hand it indicates that policies that help limiting or – ideally – reversing the long-run rise in inequality would not only make societies less unfair, but also richer.

My concern is that this new round of austerity will mean the UK will become even more unequal and poorer. Rising inequality hurts growth. Austerity is bad for growth. The worst crisis in our lives is far from over; the concern is that things are soon going to get worse. These are certainly unusual times and harsh times. A great book.

(Date accepted: May 2015)

Note

1. 'Analysis of employee contracts that do not guarantee a minimum number of hours, 2014 release' ONS, 15th February 2015.

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When a rich society gets a bit poorer: the safety net in hard times

Kitty Stewart

'How big a deal is it when a rich society gets a bit poorer?' This is Tom Clark and Anthony Heath's starting question in this wide-ranging and powerful examination of the effects of the recent recession on economic and wider well-being in the UK and the USA (2015[2014]: 22). The depression of the 1930s had a huge and lasting impact, on employment, on poverty and on health. In the wealthier twenty-first century, will a recession be felt more lightly, in the sacrifice of luxuries rather than essential items? In fact, *Hard Times* argues that the effects of recession and austerity have run deep, have

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been felt highly unequally, have affected mental health and social solidarity, and are likely to have long-term scarring effects. Clark and Heath's account draws on published statistics, original analysis conducted with a team at Manchester and Harvard Universities, and moving personal stories collected by journalists at *The Guardian* to set out the huge toll recent events have taken on some parts of the population.

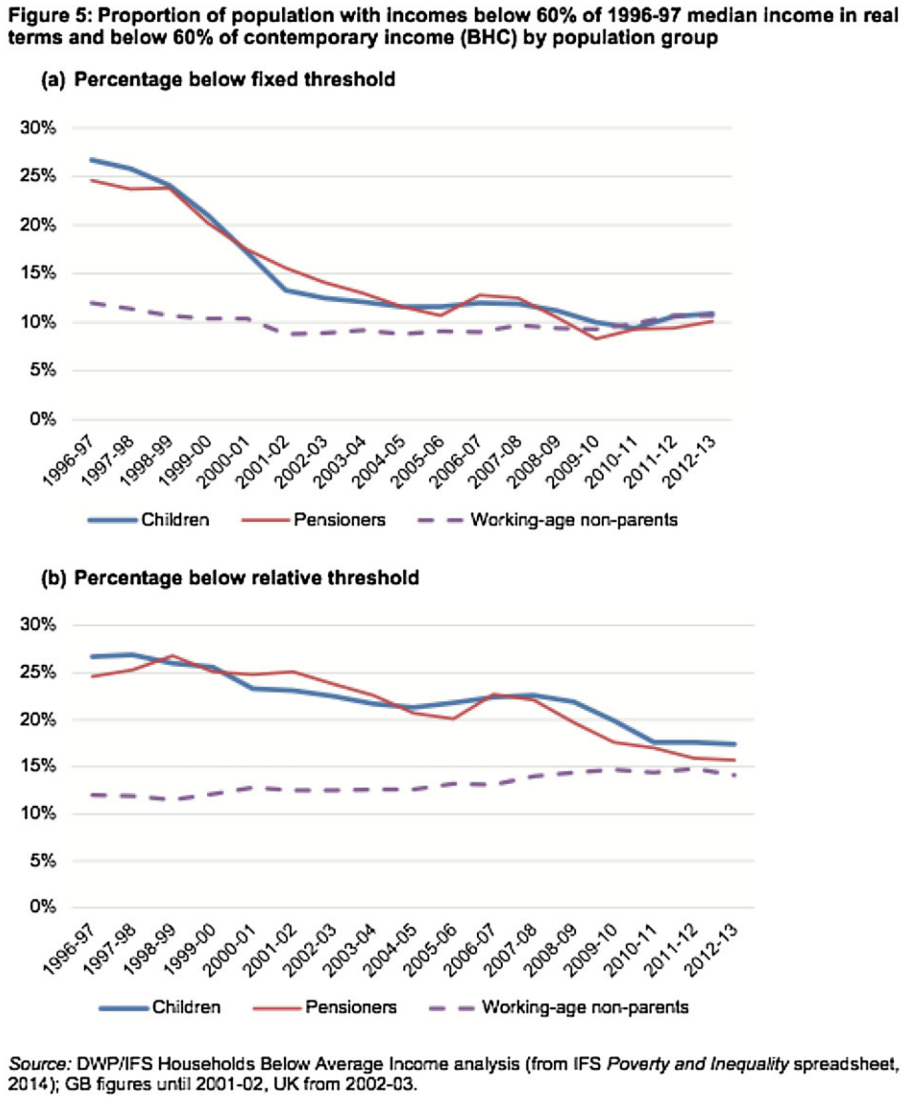
In this commentary I want to do three things, focusing primarily on the UK throughout. First, I want to challenge some aspects of Clark and Heath's argument that the financial crisis exposed 'problems with deep roots in the long decades that came before' (2015[2014]: x, paperback edition). In particular, while the safety net in place in the UK in 2007 may not have been adequate for all, it was entirely different to what was on offer in the 1930s (or in the USA), and I think the book's account plays down the extent to which social security protected the vulnerable in the early years of the recession, especially households with children. I agree, though, that cuts and reforms under the auspices of austerity have damaged the state's ability to provide this protection, with both high short-term costs and worrying long-term implications, so I want to go on to explore and build on the book's arguments in this area. I also agree that there are at least two serious long-term challenges – persistent low pay and rising income inequality at the top of the distribution – that have not been addressed either by the Coalition Government between 2010 and 2015 or by its predecessors. The third part of the commentary comments briefly on these challenges and raises some questions about where we can go from here.

The safety net offered by the UK social security system

As Figures I and II show, poverty trends after the financial crisis were very different on the two sides of the Atlantic, particularly for children. The headline poverty measure in the UK is the one shown in the lower panel of Figure I, against a relative income line. On this measure poverty fell for both children and pensioners in the five years after the onset of the crisis in 2007. Of course, in part this reflects the drop in median living standards (and the corresponding drop in the poverty line), so it is important also to look at the top panel, which shows us what was happening to poverty against a line held constant in real terms. The trend shown here is less positive, but nevertheless poverty fell on this measure for children between 2007–08 and 2010–11, and for pensioners between 2007–08 and 2009–10. Thus for these first few years of the recession, children and pensioners were being protected in the UK not just in relative terms, but in terms of the real purchasing power of their incomes too. For working-age adults, in contrast, poverty rose slowly on both measures.

Figure II shows very different trends in poverty in the USA, using the official US poverty measure. This is a fixed income line, uprated for inflation,

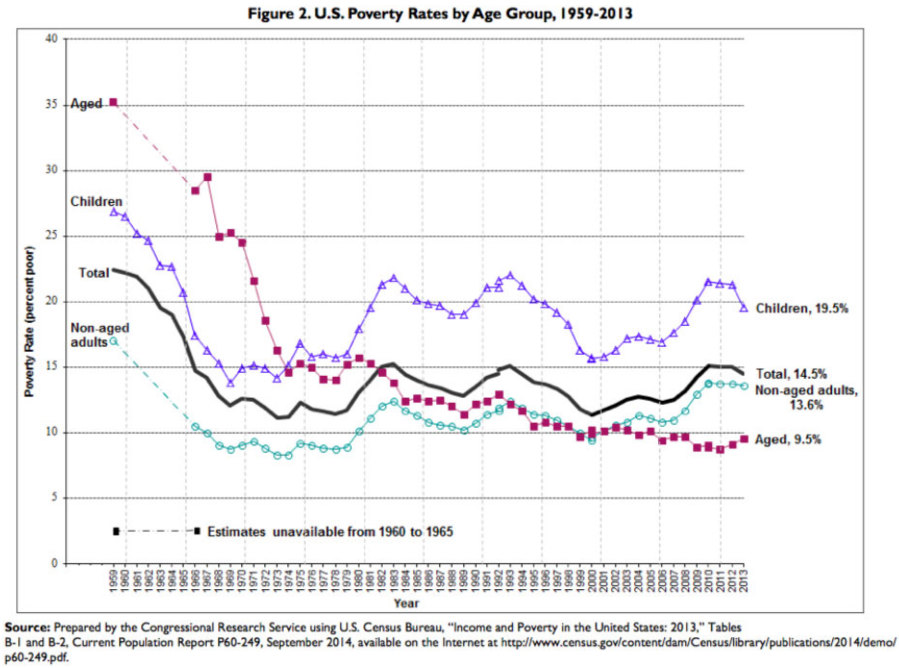
Figure I: *Trends in poverty in the UK*



Source: Hills 2015

so is comparable to the measure in the top panel of Figure I (comparable at least in terms of trend; the line is calculated differently in each country so the poverty rates themselves cannot meaningfully be compared). Between 2007 and 2010 poverty in the USA continued to fall for pensioners but rose sharply for families with children. Poverty also rose much more steeply for working-age adults than over the same period in the UK.

Figure II: *Trends in poverty in the USA*



Source: Gabe 2015

This distinction between the extent of the safety net in the two countries is not overlooked in *Hard Times*: Clark and Heath point briefly to transatlantic differences in the basic architecture of social security, to the development of the tax credit system in the years of the Labour administration, and to decisions made by the British government to increase the generosity of benefits, especially for children, as the recession initially set in. They highlight the OECD's international comparisons, which ranked the UK as having sheltered its poor more effectively than any other major western country in the years from 2007–2010 (OECD 2013). But I think this message gets lost in the middle of Chapter 8; the focus in both the introduction and conclusion is more heavily on similarities with the USA than on differences. It is a crucial message not (only) because it tells us something about how political parties differ, but because it tells us that policy matters. Too much concentration on policy failure engenders a feeling of powerlessness and risks itself undermining support for progressive policies. That many families at the bottom of the income distribution were protected in those initial recession years because of policy choices made across the decades, starting with the foundation of the welfare state in 1948, cannot be communicated too clearly.

Knocking down the storm defences

At the same time, it is true that the measures taken by the Coalition between 2010 and 2015 inflicted considerable damage on the safety net offered by the social security system (see Hills 2015 for a summary). The Institute for Fiscal Studies projects that poverty in the UK has been increasing for children and working age adults since 2012–13 against both relative and absolute lines, and will continue to do so to 2020–21, with child poverty rising most rapidly (Browne, Hood and Joyce 2014). *Hard Times* describes the cuts and reforms made to social security from 2010 as akin to the knocking down of storm defences just as a storm begins, and points out that while the global financial crisis had left serious holes in the public finances, there were choices about how to address these: 'To govern is to choose' (Clark and Heath 2015[2014]: 185).

Three key political choices defined the way in which the burden of austerity measures fell, worth highlighting in turn (Lupton et al. 2015). The most fundamental was the (apparently arbitrary) decision set out in the June 2010 Budget that the government would achieve 77 per cent of total savings through public spending cuts and only 23 per cent through tax increases. Second, early decisions were made to *decrease* taxes by lowering the top rate of income tax, cutting corporation tax and – most expensive – pushing up the personal tax allowance from £6,475 to £10,000. These tax cuts meant substantial spending cuts would be needed simply to keep the public finances from deteriorating further.

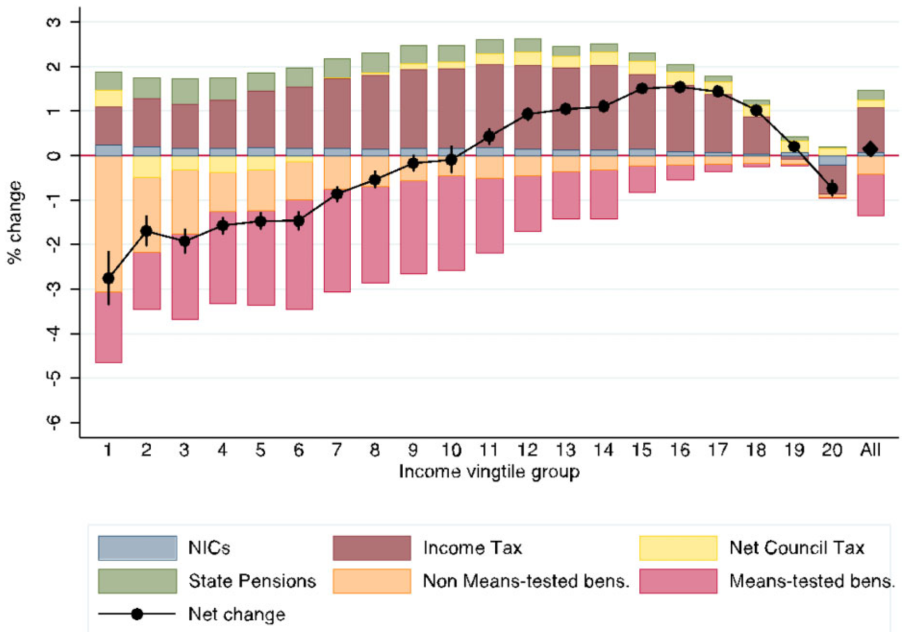
The third key choice was to commit to protecting certain areas of spending. Pensions and benefits for the elderly were one such area, as the book highlights: under the Liberal Democrats' 'triple lock', state pensions would rise annually by the higher of earnings, prices or 2.5 per cent. Spending on the NHS and schools were also protected, both rising slightly in real terms to 2013/14 (Lupton et al. 2015; Lupton and Thomson 2015). Public services receive fairly limited attention in *Hard Times*, but the Coalition could reasonably argue that by protecting health and education it has shielded crucial parts of the welfare state from the axe.

However, the combination of these three choices left a limited number of spending areas carrying the burden of deficit reduction. There were two main casualties. Local authorities lost one-third of their funding, with a knock on effect on spending on social care and on services for pre-school children, including children's centres, which have become increasingly thinly stretched and more targeted on the poorest (Burchardt, Obolenskaya and Vizard 2015; Stewart and Obolenskaya 2015). Are toddler drop-ins for children from all backgrounds the luxuries at the margins that a rich society can afford to lose – nice to have but not essential in straitened times? Perhaps, as long as it is really only the middle classes who suffer; in reality, with the loss of nearly one fifth of children's centres between 2010 and 2014 this seems an optimistic outlook. Social care for the increasing elderly population seems further still from being an optional extra: having a growing share of people living to an age when such care is needed is indeed a rich country problem, but looking after them properly can hardly be seen as a frill. Cuts to social care have also just shifted problems elsewhere, placing increasing pressure on the NHS.

The social security system (for non-pensioner households) has been the other big loser. Clark and Heath argue that the decision to cut into benefits for working-age households was a political choice, because these form such a small share of total spending in practice. Certainly the zeal with which the government set about reforming the benefit system brings to mind Winston Churchill's advice to 'never let a good crisis go to waste'. But social security does form the biggest chunk of UK public spending: more than one quarter of public spending in 2009–10 went on benefits, tax credits and state pensions, with nearly half of that going to working-age families (Lupton et al. 2015; Hills 2015). It is true that only a very small share goes on Jobseekers Allowance (£4.7 billion in 2009–10, out of total cash transfer spending of £182 billion), which has meant that to make savings the government has had to make substantial cuts to the generosity of housing support, to tax credits for low paid workers, and to child tax credit, as well as affluence testing Child Benefit and removing several benefits for families with babies. The abolition of the Health in Pregnancy Grant, a universal benefit paid to all expectant mothers in the last three months of pregnancy which amounted to around £190 for each pregnancy, provides a neat contrast with the protection of the universal winter fuel allowance for pensioners (£200–£300 per household per year).

The overall distributional effects of the tax-benefit changes have been stark. Agostini et al's (2014) simulations, shown in Figure III, find that households in the bottom half of the distribution were left on average worse off by the Coalition's reforms when compared to simply uprating the inherited system with prices, while families in the top half were left better off, the more generous tax allowance outweighing the effects of losses such as Child Benefit, except for the top 5 per cent. (Within this group the top 1 per cent were narrow gainers, however, due to the cut in the top rate of income tax from 50 per cent to 45 per cent). When similar calculations are done by age, it is children who emerge as the losers, with children under five most sharply affected. Perhaps the most notable aspect of Figure III is that the net overall effect of tax-benefit changes is zero: reforms have redistributed income without actually paying down the deficit, lending support to Clark and Heath's assertion that benefit cuts have had a political or ideological rather than an economic motivation. Strikingly, in 2010 the Chancellor noted that 'when countries undertake major consolidations of this kind, it is the poorest – those who had least to do with the cause of the economic misfortunes – who are hit hardest', and pledged that 'the Coalition Government will be different. . . When we say that we are all in this together, we mean it' (HM Treasury 2010). In practice it has not worked out quite like this.

Figure III: *Percentage change in household disposable income due to policy changes 2010 to 2014/15 (compared to May 2010 policies uprated to 2014/15 using CPI)*



Source: Figure 4.1a in Agostini, Hills and Sutherland 2014

These decisions have had painful effects for individuals and communities, well documented in *Hard Times*. Two further implications are worth highlighting. One is the likely impact on child development of the squeeze on household incomes, which receives little attention in the book. In the section on unemployment the authors argue that 'the most intense disadvantage faced by the children of the workless is not passed on through any financial channel,' pointing instead to a transmitted lack of self-belief and optimism: 'It seems as though an unemployed dad puts something in his child's backpack that weighs him down wherever he goes' (Clark and Heath 2015[2014]: 167). But in practice there is strong evidence that income poverty itself has a causal impact on children's cognitive and social and behavioural outcomes (see Cooper and Stewart 2013 for a systematic review of research in this area). Income makes a difference both because it enables investment in goods that promote child development (books, computers, healthy food), and because it reduces anxiety, stress and depression, thereby enabling parents to focus their attention more effectively and positively on children. Further, there is little evidence to suggest that parental employment reaps rewards for children if it does not bring additional income with it. For example, studies of US welfare reforms find that more generous welfare payments improve child outcomes, but there are no additional positive effects (and some negative effects, especially for teenagers) if the money comes with tougher work requirements attached (Morris et al. 2001). If at least part of the disadvantage experienced by children in low income households is the lack of income itself, then the losses shown in Figure III point to damaged opportunities for children in these families.

The reforms to social security also raise broader questions about the role of the welfare state, as they push towards a much more tightly means-tested, residual system. Clark and Heath propose a more contributory social insurance system as part of the response to the ebbing away of support for the benefit system. But what we have witnessed in the last five years is a shift in the opposite direction: the downgrading of insurance benefits (tighter time limits on contribution-based Employment Support Allowance, for example), the dismantling of universal benefits such as Child Benefit, and the scaling back of child tax credits to become much more tightly targeted on low-income households. The uprating of benefits from 2013 by just 1 per cent (likely to be persistently below both inflation and earnings growth), plus fiscal drag which will slowly pull more people over thresholds for tax credits, will increase the extent to which this is a bare bones, bare minimum safety net for the most destitute, rather than a social security system there to protect and support us all in times of greater need, whether the contingency is unemployment, sickness or parenthood. The fact that these changes have not caused more consternation perhaps reflects our tendency (encouraged by the tone of political debate) to think of the benefit system as being there for other people, not for us. In fact, as John Hills (2014) has demonstrated, most of what the welfare state does is to redistribute across our own life cycles, smoothing resources from year to year. Nearly half the population of Britain received a means-tested benefit or tax credit at some point in the 18 years to 2008 (Roantree and Shaw, 2014). The destruction of the storm defences should therefore be of concern to all of us, even those whose houses were left relatively undamaged by this particular storm.

Low wages, insecure jobs, rising inequality: where from here?

This commentary has focused perhaps too heavily on the welfare state, given that *Hard Times* is primarily concerned with the underlying inequalities in the labour market, issues the book convincingly argues successive governments have failed to address adequately, or have even exacerbated. *Hard Times* contains powerful stories about underemployment, insecure and zero hours contracts and conditionality, while also highlighting the pernicious effects of growing inequality at the top of the distribution.

It must of course be true that addressing market inequalities at both the top and the bottom lies at the heart of any plan for more security of living standards. Social security benefits will never be able to guarantee a life free from poverty while wages themselves are not capable of this. And minimum wages that allow a reasonable standard of living can only be delivered by a less deeply unequal division of the wage bill (and/or a different balance between wages and profits). The problem of poverty and the problem of riches are one and the same, as Richard Tawney (1913) pointed out.

This leaves us with the big question: what is to be done, and how? Both the issue of living wages and that of top incomes have very much captured the current zeitgeist; in particular, the disadvantages and dangers of high levels of inequality have been repeatedly highlighted in 2014. Thomas Piketty's *Capital* (2014) made the most headlines, but both the OECD and the International Monetary Fund published papers arguing that inequality damages economic growth (OECD 2014; Ostry, Berg and Tsangarides 2014; IMF 2014). Both organizations propose increased redistribution – more progressive taxation, taxes on property and wealth, and closing of tax loopholes – as important solutions, as well as investment in education and skills to boost productivity at the bottom. (Neither consider policies to limit market inequalities at the top, for example by trying to interfere with the setting of executive pay; but Piketty believes that the extent to which taxation is progressive itself affects pre-distribution by influencing incentives to seek higher pay, and ultimately by changing social norms).

With this increasing focus on inequality as context, the foreword to the paperback edition of *Hard Times* ends on an optimistic note: 'Sooner or later, change is going to come' (Clark and Heath 2015[2014]: xxiii). And yet, despite the growing consensus of economists, and despite the fact that greater levels of redistribution would create far more winners than losers, significant change seems frustratingly beyond arms length in the UK today. Despite the strengths of our democracy, there is cause for concern about the power exercised behind the scenes by vested interests; too dominant in donations to political parties, and too influential in determining media coverage.

When Charles Dickens' novel *Hard Times* was published in 1854, the only people in England and Wales with a vote were men who were property owners or who paid an annual rent of at least £10, which ruled out six out of seven men (not to mention all women). Under universal suffrage in the 2010s, Piketty's figures indicate that the concentration of income and wealth in Britain is still substantially lower than it is likely to have been then, but increasing rapidly, while in the USA the income share of the top 1 per cent has now surpassed what it was a century before. Clark and Heath's *Hard Times* calls for creative policy ideas; how to ensure that these creative ideas have any chance of becoming policy may be the most urgent challenge of our age.

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Social division and state restructuring

Peter Taylor-Gooby

This book charts the Great Recession of 2007–8 and its aftermath in the USA and the UK, focusing particularly on the impact on the lives of ordinary people. The core of the book is a detailed analysis of how long-term trends in the political economy of western countries, combined with a liberal market-centred politics have generated greater insecurity and also undermined the solidarity on which the postwar welfare state settlement was based.

The book is the outcome of a collaboration between a leading journalist and one of the most highly-respected British sociologists. The long-term trend to greater dispersion in incomes and the way the recession has exaggerated this process has received considerable scholarly attention in the work of John Hills, Anthony Atkinson and a number of others. Scholars from Guy Standing to Paul Gregg have analysed insecurity and precarity. Others (including Jane Lewis, Ruth Lister and Nick Ellison) have written on the impact of neo-liberalism on state welfare and thus on the everyday lives of the most vulnerable groups. What does this book add to the debate?

There are notable strengths in three areas. First, as one might expect from work which draws on high-quality analysis of up to date data and presses home its argument with material from interviews with those most harshly affected by the recession and its consequences, *Hard Times* (Clark and Heath 2015[2014]) promises to achieve a wider currency for the material than is usually attained by academic texts. This is valuable especially as we approach the UK 2015 general election in a context in which misinformation clouds people's thinking. The book allows the voices of ordinary people, the reality which underlies statistical analysis but is sometimes obscured by to frame the debate.

Secondly, the book embeds discussion of how the unequal outcomes of the slump for different groups and especially for those of working age facing unemployment or a life of insecure low-income work in an analysis of longer-run trends to greater inequality and greater precarity for those at the bottom. Further evidence drawing on the experience of previous recessions shows how the experience of labour market disadvantage can permanently damage the

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life-chances of the poor. The 'scarring' effect of slump and of response to it which intensify misery will widen further the gap between comfortable and hand-to-mouth groups in the future.

Thirdly, the book develops an analysis of the effects of inequality on community linkages and on social solidarity, drawing together two streams of evidence. First community and social capital studies show how the experience of poverty narrows the social world of the poor and cuts people off from participation in many of the social activities enjoyed by better-off groups. Secondly, attitude survey data reports that attitudes to the poor appear to be hardening since the slump, at the same time as the financial pressures on the poor grow more severe. This is a departure from previous trends in public opinion. In previous recessions, a decline in living standards led to an increase in sympathy for the poor and support for social benefits for them, sometimes referred to as a 'thermostat effect'. Now it seems to be producing the reverse effect, so that hard times act as a multiplier rather than a regular of contempt for the poor.

One traditional approach might suggest that a trend to greater inequality and to static or falling living standards bearing most harshly on those at the bottom might lead to mass resentment and to solidaristic pressure for change. The study indicates that a possible future is of economic inequality combined with a politics of individual interest in which the bases of solidarity are eroded.

This book was written before the pernicious discourse of immigrants as a threat to the poor within the UK assumed the position in political debate that it has now attained. The impact of inequality on solidarity is doubly important in the current context. However the book also points to indications of support for more integrative and solidaristic policies among some groups. It provides some suggestions for how government policy might build on these, for example tapping norms of reciprocity by designing benefits to link contribution to entitlement more obviously.

There are three areas which are not developed in the work.

First, while a considerable amount of USA and UK data both from qualitative interviews and from blue-book analysis is presented and analysed, there is no systematic attempt to compare the progress of recession in the two countries or of responses to it. For example, the UK contains no policy equivalent to the US Jobs Act; the UK has pursued military adventurism as a way to stimulate demand to a much less noticeable extent; the UK has also spent proportionately far less on quantitative easing (cash injections via the finance sector); the UK welfare state is more developed in many (but not all) ways and more unitary than the US equivalent; the UK spends much less on research and development than the USA and is currently cutting both public and private spending in this area; the USA punishes the poor more harshly than the UK, and health and housing inequalities are more marked in the USA. In addition the pattern of inequality in the UK is rather different and narrower than in the USA, although trends to greater inequality are strikingly similar. In short there are substantial differences between the two countries in material context and in the way politics works. The material in the book could form the basis for a comparison between the two major western liberal democracies and this is not pursued in any depth.

The second possible area in which the debate could be developed concerns the issue of how far the policies of different governments (in the UK, at the time of writing, the then Conservative-led coalition, in the USA, the Democrat Obama administration) influenced outcomes and likely futures. While the major opposition party in the UK, Labour, appeared then to accept Coalition arguments about the absolute priority of eliminating the public sector deficit and consequently the case for most of the spending cuts, the policies a Labour government might pursue differ substantially. Labour has highlighted the issue of living standards for those at the bottom which would be addressed through some extra welfare spending and through programmes designed to subsidize utility prices and improve wages and working conditions. Some of the tax cuts at the top might not be enacted and the programme of local government cuts might not be so severe nor so focused on local authorities outside the South East. The Coalition's expensive and mostly ineffective determination to privatize almost all areas of state activity from the bulk of the NHS to the Work Programme, from university finance to local government services might well not be embraced by a Labour government. Thus politics could plausibly make a difference.

In the USA a Democrat president has achieved a number of successes, most notably the Jobs Act, mentioned earlier and the expansion of subsidized health care, none the less he has also continued with benefit cuts and only moderated some of the previous administration's tax cuts for the rich, failing to halt the continued trend to greater inequality. How far these differences are due to the national context and politico-economic structure and established ideologies and how far they are amenable to moderation through conscious political intervention is unclear.

The data available to the authors and the opportunities for comparison might offer the opportunity to make progress in relation to the issue of how far current problems are the outcome of a particular politics (and thus possible to change through political action) and how far they are structural features of a particular economic structure, one in which nation states are inserted in a global system. The obstacles to achieving substantial change at this level are massive.

This leads to the third issue: how are the problems of inequality and division and the limitations they impose on political action likely to develop in the future? Much of the data presented in this book refers to a much longer time period than that from the Great Recession to the present, reaching back to the 1970s and in some cases earlier. The trends in inequality and in income dispersion and social division are long established, most markedly in the USA, but also, as the work of Anthony Atkinson, Thomas Piketty and others demonstrates, throughout the developed world. In addition an extensive literature charts the 'falling wage share', the long-term trend since the mid 1960s for an increasing proportion of the proceeds of growth, even in good times, to be returned to capital, rather than labour.

The policies of particular governments make a difference to ordinary people's lives. The book makes this clear. What is more difficult to understand is how much difference they make, compared with the long-term trends discussed above. Comparison of USA and UK experience, with rather different governments, might shed light on this issue. The long-term trends can be explained in terms of globalization, the increasing returns to skill, the consequences of the second industrial revolution, the burden of population ageing, and /or of welfare spending, Baumol wage effects as the service sector, in which productivity gains are hard to achieve expands, and a number of other factors, independently, severally or in interaction.

It would be unreasonable to expect a book of this character to resolve these questions. However, it is worthwhile to make reference to them and perhaps locate the discussion in relation to the main theoretical positions, so that we can consider likely future developments and the potential for a more progressive and solidaristic politics.

The analysis presented in the book is developed towards a more positive conclusion. The authors argue that paid work must be at the heart of any policy to address the social consequences of the slump, that this means jobs which pay a decent living wage, and a reversal of the trend to deregulation of the labour market so that people can enjoy better working conditions and greater economic insecurity. Benefits and opportunities for the poor must also be improved.

It shows that the cost of these changes is unlikely to prove insuperable, that other countries achieve better without going bankrupt and that there are still indications of a measure of popular support for the more egalitarian principles of welfare which could be drawn on by politicians to sustain more solidaristic policies.

These arguments are important and may perhaps prove influential. They might be easier to develop if the book provided more detail on practical policies to achieve them. Such policies might include investment in education and in research and development in order to promote higher value-added, higher wage work, and in all the ancillary services which enable all groups to participate fully in the labour force. This would include affordable childcare of decent quality, stronger parental rights, rights for disabled people to require employers to adjust work practices so that they can take part and more effective enforcement of anti-discrimination legislation.

Such policies are not necessarily expensive in public spending terms and within the public spending capacity of the country. The real obstacles to promoting them (let alone policies which would strengthen trade union rights) are political and here the issues of social divisiveness which the analysis stresses present real problems. The challenge is to find ways to frame such policies so that they are acceptable to a large enough constituency to stand a chance of being put into practice.

One strategy is to present such policies within an individualist framing. They then become the necessary infrastructure to enable individuals to seize opportunities to become unequal. Within this approach much can be done by stealth to render opportunities in our divided society more equal than they are at present.

An alternative is to challenge the political context of divisiveness and seek to draw together the various vulnerable and disadvantaged groupings, stressing the case for change to a different and less unequal society, more fraternity and community as part of equality, less individual liberty. It is difficult to see how a politics of greater empowerment of those at the bottom can be pursued without making this kind of case, and this is not easy in the current context.

This book represents a considerable achievement. It deals with a very complex area in simple and accessible language, and does not compromise on the presentation of data. It provides arguments which, in a rational world, would impact decisively on political debate. We live in hope.

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Response to commentators

Tom Clark and Anthony Heath

It is terrific to have such a series of close and appreciative reviewers, each of whom brings a distinctive and expert perspective to our overarching themes of inequality, recession and social aftermath. We're delighted that a leading economist, such as David Blanchflower, a top social policy specialist, like Kitty Stewart, as well as Professor Peter Taylor-Gooby – who has done so much to develop the political economy of risk – can all find things to admire in *Hard Times: Inequality, Recession, Aftermath* (2015 [2014]).

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But it is of course natural that such eminent scholars will also identify ground that the book could usefully have covered but didn't. All the more so because, in trying to put together the big picture of what the great recession has done to the fabric of British and American life, our book traipses across various social scientific fields – economics, sociology, economic history, social policy, even political science – without much regard for the separating walls that normally stand in between them. It is a happy consequence of this symposium that, by bringing their own expertise to bear, each of the reviewers does something to address the omissions that the others point to in the book. We will use this short response to answer some of the direct challenges each of the writers raises, but also to highlight instances where the three commentaries address questions put by each other.

Right at the outset, however, allow us to assert – as we do in the foreword to the paperback edition – the continuing sociological urgency of the questions that we raise, despite the fact of a modest economic recovery. The great recession, as we write, revealed much that had been rotting below the surface for a long time before it struck. While the subsequent decline in unemployment is of course warmly welcome, it will not necessarily heal all the problems of isolation and alienation that we describe. For the core of the book is concerned with the detrimental effect of economic insecurity on individual well-being, family and community life – and the recovery isn't delivering all the security that one would hope.

For one thing, unemployment rates of young people, especially those with relatively low educational qualifications, remain far higher than those of older and more educated groups, and there can be little doubt that this will leave a long-term shadow with worrying implications both for the young people themselves and perhaps for the wider society. The wider problem, however, is that even where there is employment, it is often not restoring economic security as it might have done in the past. An increasing proportion of jobs are either freelance or otherwise unreliable, with burgeoning zero-hours contracts being the extreme case. And with Budget 2015 setting out plans for austerity right through to 2020, public policy will not be smoothing the rough edges of economic experience any time soon. Instead, we are in for many years of deep social cut-backs, which will likely intensify the long-term 'scarring' effects which chapter 7 of the book lays bare.

Two of the reviewers, Stewart and Taylor-Gooby, indicate that *Hard Times* could have done more to contrast British and American experience, rather than – as the book mostly does – putting the emphasis on commonality in Transatlantic experience.

We took the tack that we did because, in reviewing disparate early data about the recession's effects in 2012, we were, very simply, much more struck by parallels across the Atlantic, than by points of distinction. The tendency, for example, for unemployment to be really heavily concentrated on the same social groups – the young, the unschooled, racial minorities and so on – was extremely marked. And this fed into intensely concentrated disadvantage on some of the non-economic fronts – for example, individual well-being.

In place of the familiar image of the 'economic storm', we developed the metaphor of a twisting tornado, which tore a narrow strip through the economy, leaving some communities almost untouched, but others devastated. That same recessionary tornado seemed to be at work in both the UK and the USA in 2008/9, as – of course – did many longer-running social currents, such as widening inequality in a 'flexible' labour market. *Hard Times* does make international comparisons in these areas, but the chief contrast to emerge is not *among* the Anglo-Saxon economies, but *between* them and other parts of the world, such as continental Europe and Japan, where we find signs that the pain of recession was somewhat less concentrated.

That said, there were – as Taylor-Gooby writes – really important differences in the policy, especially macroeconomic policy, that Washington and London followed after the crisis. The UK withdrew and indeed reversed its fiscal stimulus before recovery was assured, and there was – as Taylor-Gooby says – no UK equivalent to the US Jobs Acts.

Happily, Blanchflower's contribution to this symposium homes in precisely on the difference in economic performance which followed on from these policy differences. He is better placed than we were to make the comparison, both because of his expertise, but also because he is writing at a time when the full fall-out from the real divergence of policy, which occurred only after the arrival of the Coalition government in 2010, has unfolded. Given the scale of the economic disaster in 2008/9, the headline story on unemployment looks, as we acknowledge in *Hard Times*, relatively positive for Britain, with – in 2015 – record numbers of jobs, even though very many of them may be low-paid, part-time or insecure. Blanchflower, however, refers to a more refined measure of 'labour market slack' than the headline jobs numbers allow for, taking account of under-employment and so on, and finds that on this metric the post-recessionary employment picture is very similar in Britain and the USA. What is very different, however, is productivity, output and wages. Real GDP per head in the UK was, he reports, still lower in late 2014 than it had been at the dawn of the crisis; by contrast, in the USA overall national income was 8 per cent higher. And whereas American wages have been roughly flat over these years, in the UK they have fallen back by about 8 per cent.

In sum, Blanchflower makes some of the macroeconomic comparisons that Taylor-Gooby asks for, and the upshot is that – through premature reversal of the stimulus – Britain has made times harder than they need have been where *average* living standards are concerned. Averages, however, can conceal more than they reveal. Another transatlantic difference, however, is – as Taylor-Gooby puts it – that the USA 'punishes the poor more harshly' (2015: 594). And this is a difference which Stewart believes that the book has underplayed. She points to stark contrasts in the progress of official poverty rates (which are defined in different ways) in the two countries after 2008, most particularly for children, with sharply rising hardship in the USA which was not matched in the UK.

While we do not disagree with the main lines of Stewart's analysis, we should reiterate that the main focus of our study was not on economic hardship per se, but on 'the distinctive social maladies that flow from economic stagnation' (Clark and Heath 2015 [2014]: 6). We defer to Stewart on issues of the trends in poverty rates in the two countries, although the book does in fact acknowledge (2015 [2014]: 34) that the then-UK government's action on benefits in the immediate face of the storm 'duly ensured that the first bout of British pain was fairly shared . . . inequality actually fell'. We note (2015 [2014]: 35), too, that in the USA the income gap was instead only kept constant, with extensions to unemployment benefit cancelling out the effect of falling earnings at the bottom end. Finally, we highlight (2015 [2014]: 181) how in 2009 poor Britons took 'much less of a hit than poor Americans in the first instance', and talk of the then UK government's 'notable achievement' in having 'sheltered its poor better than any other western country'. On the other hand, our analysis in chapter 5 does suggest that the consequences of the recession for anxiety and family tensions were much the same for 'slump hit' families in Britain as they were in the USA, whereas the effects were much less marked in France or Germany. Once again, the commonalities between Britain and the USA in terms of psychological consequences are much more evident than the differences.

It would certainly have been worthwhile for us to have pursued in more depth the social and psychological implications of the differential impoverishing effect of the recession on different population groups – children, working-age adults and pensioners – in the two countries which Stewart rightly identifies. She is entirely right to point out the great transatlantic contrast where children are concerned, with a rise in absolute poverty of well over a third for American children which finds no echo at all, as yet, in the UK, where the Labour government's efforts to eliminate child poverty afforded real protection.

The subsequent coalition administration never had the same degree of commitment to reducing child poverty, but it did initially at least attempt to ensure that things would not actually get worse on this front – by, for example, raising the child tax credit in 2010 to compensate poor families for other elements of the austerity programme. After 2011, however, the government effectively gave up on its inherited poverty targets. Ministers made a few moves targeted at the top end – such as restricting child benefit for higher earners – but they also began to cut freely and deeply into those benefits on which the poorest rely. And they began to rubbish the metrics to which they remained notionally committed, arguing for a new emphasis on non-material aspects of poverty, which are of course harder to measure. That is, they began to move the goalposts.

No wonder, because – as Stewart notes – the best forecasts are that there will be rising hardship among the young for some time to come.

Although we did not explicitly disaggregate the poverty and social security figures we discuss by age group, the relatively better protection that the UK offers to youngsters than adults is, arguably, reflected in our British case studies. Those enduring the greatest hardship, such as 'Moira' from Essex, 'Winston' from Stanmore, and – in the updated paperback – John McArthur from Motherwell are all without children, and dependent on jobseeker's allowance, whose real rate has been frozen for many decades, and which is governed by rigid rules, with minor breaches increasingly met by impoverishing punishment 'sanctions'.

Stewart writes that Britain's social security is today vastly more developed than it was in the 1930s, which is of course true in general terms, but for single unemployed people, without any disabilities or extra costs, it isn't necessarily the case. In *The Road to Wigan Pier*, George Orwell (1962) documents a typical miner's pay of £2 5 shillings a week (1962: 36), and also (1962: 68) the full single man's rate of unemployment benefit of 17 shillings a week, implying a 'replacement rate' of just over 30 per cent of the wage in the event he was laid off. In 2015, by contrast, Jobseeker's allowance of £72.40 replaces only 13 per cent of the £558 average wage, for a man working full-time.[1] The rising use of foodbanks and increased food insecurity which is now evident in Britain is certainly connected with delays, cuts and 'sanctions' to benefits, and is likely concentrated amongst those sorts of claimants whom the system treats most stringently. (See Elisabeth Garratt 2015)

For British families with children during the recession, things were often bad, but rarely quite as hopeless as for our single case studies. That contrast highlights just how important government interest – or government neglect –is in determining who can swim through, and who will sink, during hard times. But now that the political emphasis has switched away from protecting children, there are worrying implications for the years ahead.

In the book, we set out (Clark and Heath 2015 [2014]: 142–6) how the ambitions and the earnings potential of young adults have been particularly set back by the slump, and we go on (2015 [2014]: 146–6) to demonstrate, using the evidence from past recessions, how lay-offs of young workers today can condemn them to a future which is not only poorer, but also more isolated. Stewart's emphasis invites us to consider dangers even further down the age range. She reports that a great rise in poverty looms, most particularly, for British children as benefit reductions bite over the next few years. And because, as she also relays, 'there is strong evidence that income poverty itself has a causal impact on children's cognitive and social and behavioural outcomes' (Stewart 2015: 589) there is reason to fear that deep scarring to the psyche of the youngest Britons is still going on, even as the recovery picks up. Furthermore, Stewart adds, the financial axe that is hanging over certain services, such as children's centres, could redouble the damage.

Put it all together, and Stewart's analysis reaffirms our conclusions both that social security matters hugely for many people's economic well-being, and – furthermore – that there could be deep social scarring where a decent safety net is threatened. Her emphasis on children, who remain vulnerable to further benefit cuts even now, gives new reason to think that the social scarring process could continue even as the economy recovers – and indeed that it will mark not merely young adults, but also the next generation.

While Taylor-Gooby is sympathetic to our conclusions about 'jobs, fairer shares and a decent safety net' (Clark and Heath 2015[2014]: 194) he hankers both for more detail on how these might be achieved, and for more analysis of what it is that's most likely to frustrate them within the particular polities of the UK and the USA. Tony Atkinson's new book, *Inequality: What Can Be Done?* (2015), provides plenty of detail of the sort of taxes, transfers and other policies which would be required if we were serious about closing the gap. In doing so, however, he only highlights just how far such radically redistributive proposals are from what is currently considered to be realistic in either the British or the American political system. Although we do (Clark and Heath 2015[2014]: 194–208) sketch out a theory of how inequality can entrench itself by undermining the attitudes that support solidarity in the mind of the voter, we feel that the way in which particular political institutions may cement, or may instead challenge, the privileges of wealth is really a subject for another book.[2]

But we do agree that it is fair to ask us for a little more advice on how to make the most persuasive case for stronger 'storm defences' against hard times. It's not only Taylor-Gooby but also Stewart and Blanchflower who seem to hanker for this – Blanchflower noting a 'certain darkness' (2015: 579) in our writing, and a lack of faith 'that any of this is going to get fixed' (2015: 577–583). Blanchflower is right: we do not have a great deal of faith that any of this is going to get fixed, especially in an electoral system where the incentives are for political parties to focus on the concerns of swing voters in marginal constituencies rather than on disadvantaged groups with lower rates of turnout living in inner-city safe seats.

Our pessimistic tone is, then, a fair criticism, which we can best address by highlighting three themes which strike us as propitious avenues for progressive energy. First, find the right language. George W. Bush and his friends reinvented America's estate duty as a 'death tax'. If every voter were rationally selfish, a levy which raises revenue for the benefit of the community as a whole exclusively from the very wealthiest families really ought to be popular. But since death and taxation are two grim necessities, imposing the latter at the point of the former sounds like a heartlessly cruel thing to do. This redescription, therefore, opened up scope for an emotive campaign against the duty, leading to deep cuts in this tax and then its complete suspension for a time. There must surely be analogous opportunities to win new support for various transfers which are currently written off as wasteful 'welfare handouts'. Indeed, in the book (Clark and Heath 2015 [2014]: 214–15) we cite polling suggesting that one area in which public opinion has swung against social security cuts is the 'bedroom tax'. It is surely no coincidence that this phrase has entered the currency, displacing the official description of the 'removal of the spare room subsidy'.

Secondly, challenge the divisive 'welfare myth of them and us', to borrow from the sub-title of Sir John Hills's new book (Hills 2014). This has to involve first of all pointing out, as the Hills book does through careful life-cycle accounting, that while it may only be a minority that will need social security at any one point, the vast majority will be grateful for it at some point or other in life. But it also means something else too: highlighting the strong connection between the weakening of the social safety net on the one hand, and the degrading of terms and conditions for those who are in work on the other. As we spell out in the foreword to the paperback, with an increasingly desperate group of people on inadequate or sanctioned benefits, employers can count on labour on tap, giving them less reason than before to improve terms and conditions. We also need to consider the wider social 'externalities' (or side effects), of marginalization. It cannot be good news for the rest of society if some sections of society are increasingly marginalized. There could well be spillover effects of such marginalization, of which sporadic street disorder and riots are the most obvious, and declining support for mainstream parties and potential support for extremist political movements another. We need to move beyond a purely individualistic economic accounting to an analysis of the wider social consequences of government policy. This is perhaps the key thrust of *Hard Times*: economic policies have wider but often neglected social consequences. Investigating the wider and longer-term social and psychological consequences of policies would be a start.

Third, and finally, identify the right targets for anger. After, on some measures, the most severe wage squeeze since the 1860s, people are naturally fed up, and looking for someone or something to point the finger at. The layabout on benefits is an obvious scapegoat, and also a useful one for politicians who are keen to cut social security bills. It is, however, possible to think of villains of other sorts – particularly corporations. One of the only cases in the last few years (2015[2014]: 234) where the UK government has been forced to back off on benefits occurred after Tesco was reported to be getting unpaid shelf stackers through an unpaid 'work experience' scheme. There was an outcry: the voters might not like 'scroungers' on benefits, but they dislike corporate sponging even more. Consumer anger at the less responsible aspects of corporate behaviour – whether in the environmental or the social field – can actually be quite influential in shaping corporate practice. In Northern Ireland, for example, activists' pressure on American firms to adopt fair employment practices played a crucial role in persuading US firms operating in Northern

Ireland to sign up to the MacBride principles and ensure equality of treatment for Catholics. An active and informed citizenry targeting unethical corporate practices may offer an alternative strategy to top-down political reform.

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Notes

1. Figure for full-time male weekly earnings is from: Office for National Statistics, *Annual Survey of Hours and Earnings, 2014 Provisional Results*: http://www.ons.gov.uk/ons/dcp171778_385428.pdf

2. Joseph Stiglitz, 2012 *The Price of Inequality,* London: Penguin/Allen Lane, is one book which tries to give some detail of how American democracy has, in important respects, been replaced by effective oligarchy.

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