

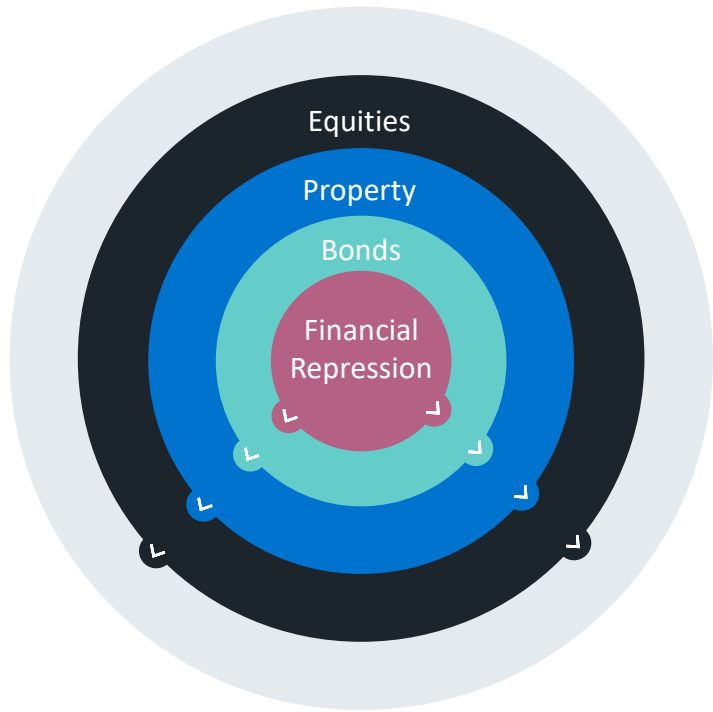
SARASIN  
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# Levelling Up

Subitha Subramaniam

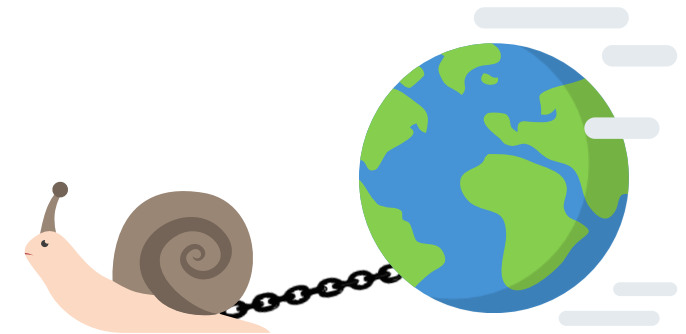




2012/13



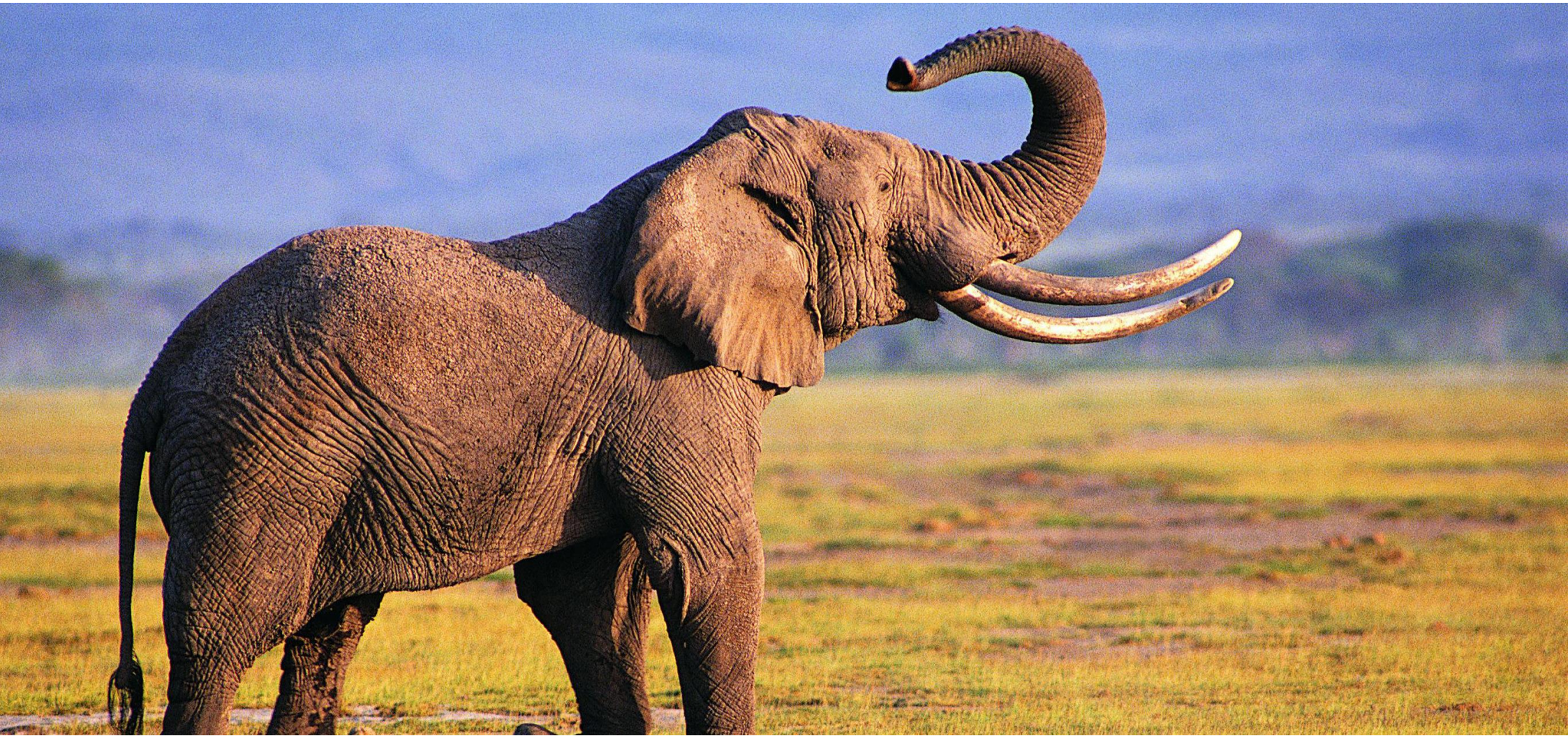
2017



2019

# Globalisation reduced inequality *between* but not *within* countries

Although everyone is better off, global income inequality has increased



Source: World Inequality Database (WIB), Sarasin & Partners LLP. Data uses the percentage change in global annual pre-tax national income (as defined by the WIB), with constant 2018 prices applied. Dataset from 1980 to 2016.

# Concentration of economic power

A winner takes all system

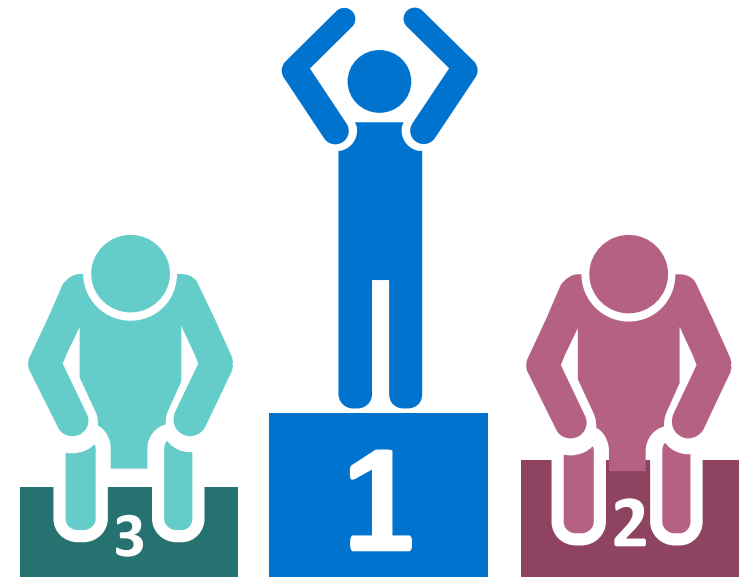
INCOME

WEALTH

GENERATIONS

GEOGRAPHIES

CORPORATE PROFITS



# Populism: The Power of the Vote

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# Levelling up

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# We are going to unite and level up



*“We will be bringing forward proposals to transform this country with better infrastructure, better education, better technology”*



# Levelling up: A regional taxonomy

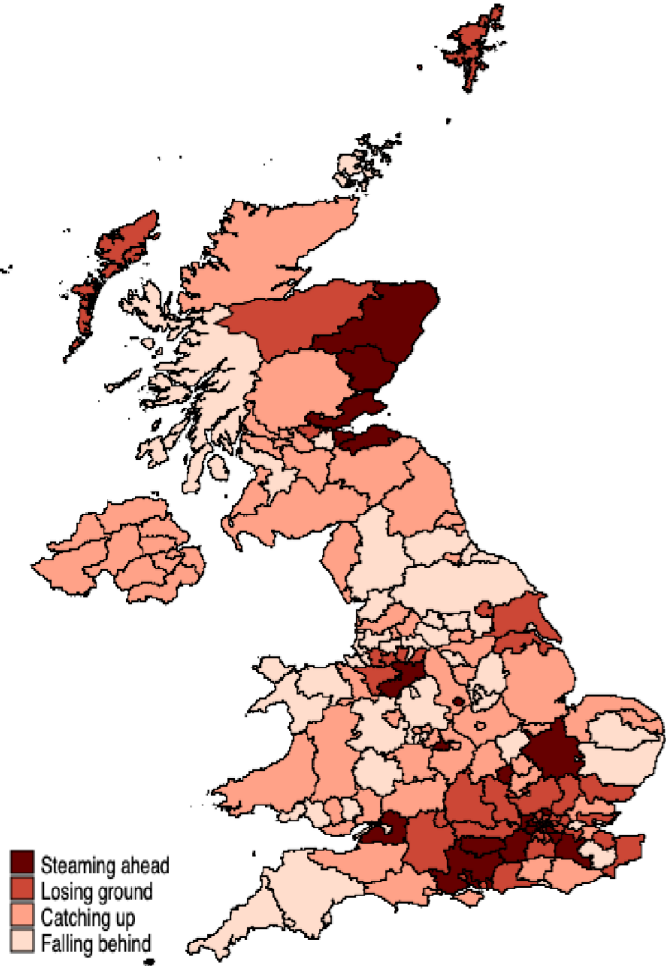
## The geography of discontent

The UK is one of the most inter-regionally unequal countries in the industrialised world, and almost certainly the most inter-regionally unequal large high income country.

**Philip McCann**  
*Spatial Economist & Economic Geographer*



Spotlight on places whose productivity levels and growth rates are well below the national average



Source: [https://industrialstrategy council.org/sites/default/files/attachments/UK%20Regional%20Productivity%20Differences%20-%20An%20Evidence%20Review\\_0.pdf](https://industrialstrategy council.org/sites/default/files/attachments/UK%20Regional%20Productivity%20Differences%20-%20An%20Evidence%20Review_0.pdf)



# The forgotten men and women of our country will be forgotten no longer



*We will build new roads, highways, bridges, airports, tunnels, and railways ...”*



# Levelling up

Pre-distribution *not* redistribution



## Pre-distribution:

- Policies should aim to prevent inequality rather than fixing it
- Raising minimum wages
- Investment in infrastructure
- Investment in education
- Investment in health
- Investment in technology



## Redistribution:

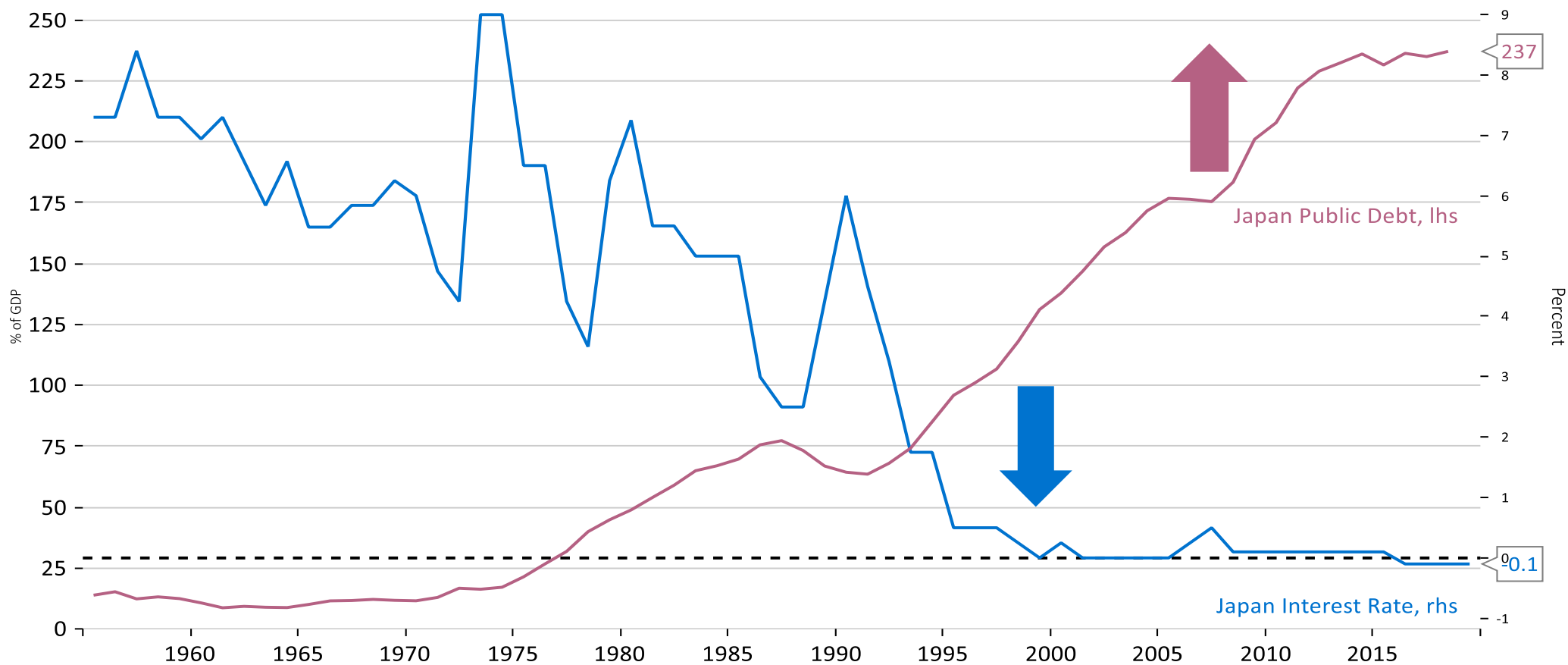
- Taxing the rich to spend on the poor
- Progressive income taxes
- Wealth taxes
- Income transfers to the less well-off

# The free lunch

Governments can increase borrowing without increasing inflation or interest rates

 Japanese interest rates have collapsed even as public debt levels have soared

Government Debt (as % of GDP) and Central Bank Policy Rates

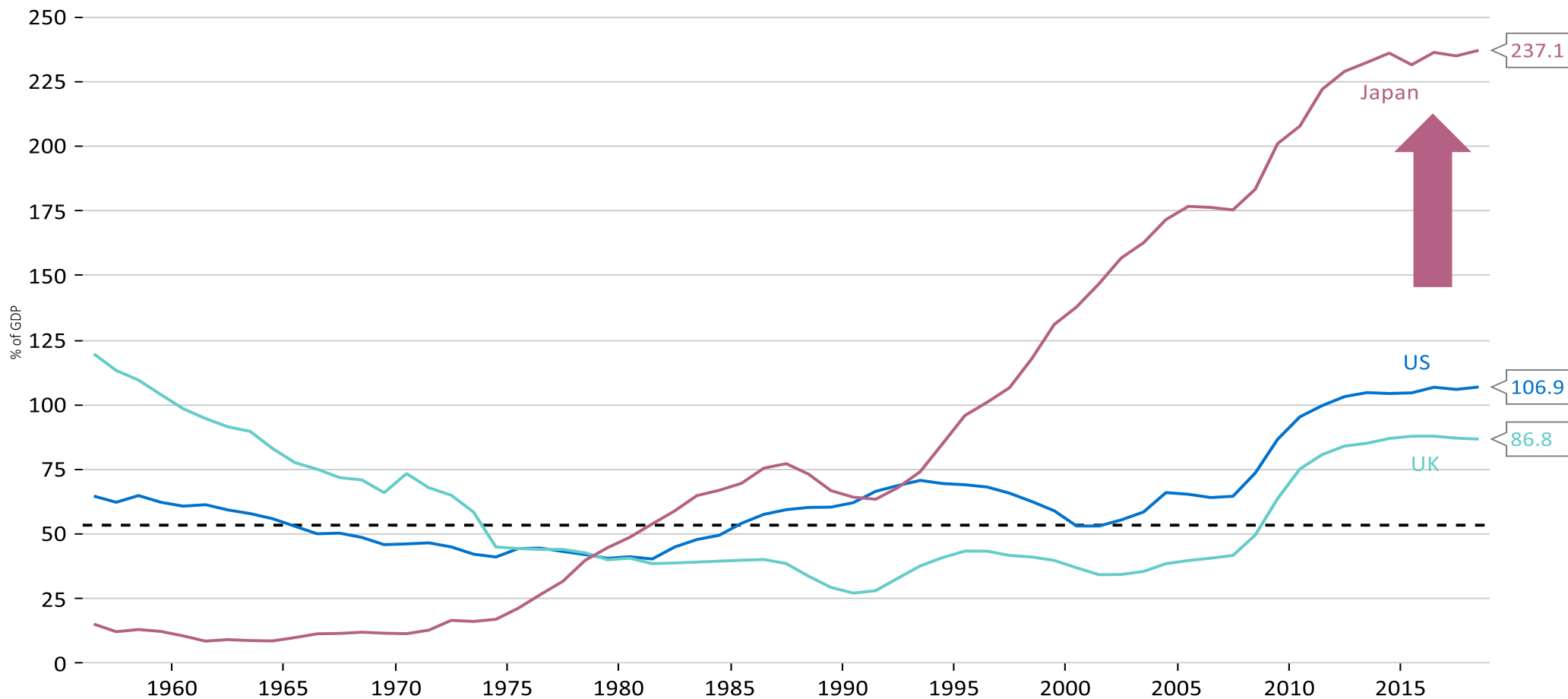


Source: Macrobond

# The free lunch

Governments can increase borrowing without increasing inflation or interest rates

 US interest rates head lower even as debt as a share of GDP has increased markedly

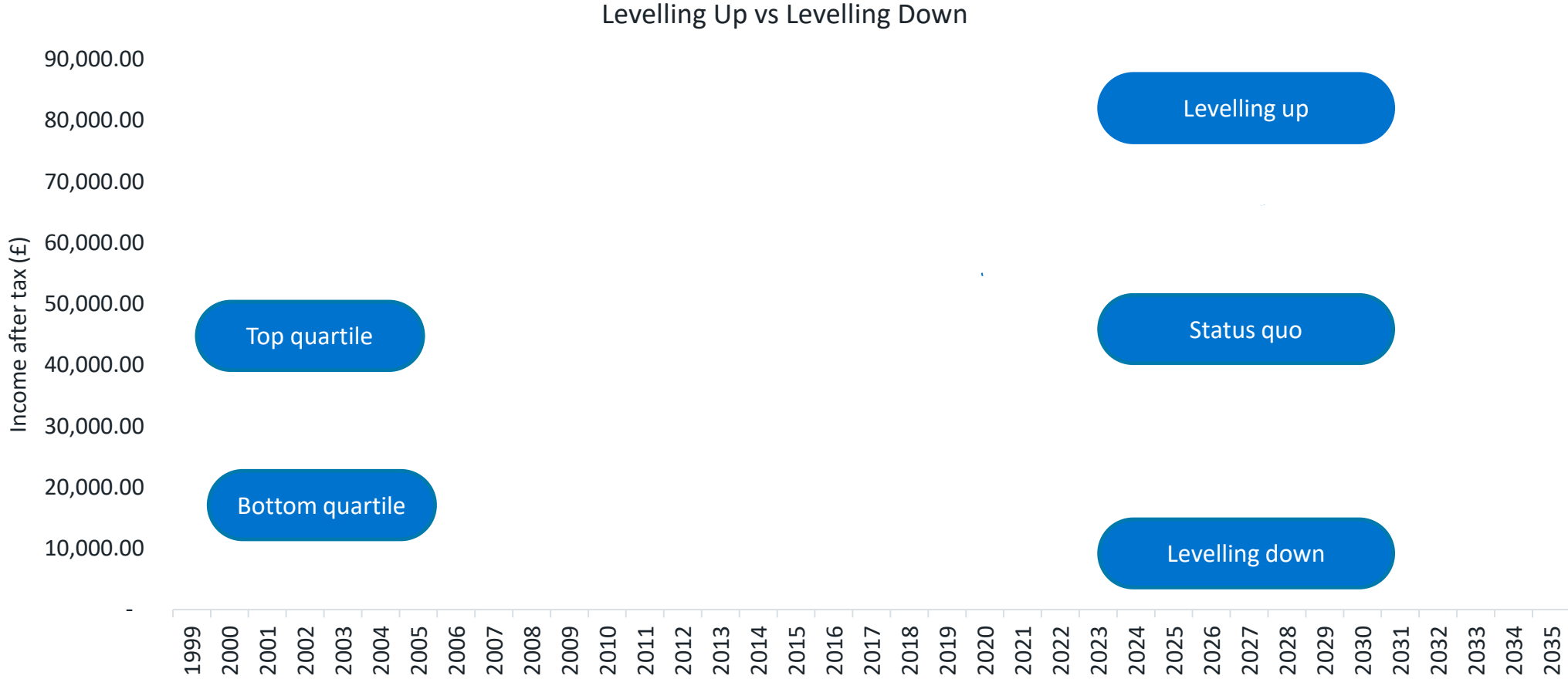


Source: Macrobond

# Levelling up: Will the theory hold up?

## The risk of Levelling down

### Levelling up vs Levelling down



Source: UK ONS, 2020

# Outlook

Can the free lunch last?

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## Slowbalisation trend to continue

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### Local priorities over global commitments

- A national industrial policy
  - Border control
- 

## Monetary policy capture

- Low interest rates
- 

## Fiscal activism

- Pre-distribution
- 

## Known unknowns

- Will productivity step up?
- Will inflation remain contained?

# Important information

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