

# Why is there poverty in the rich countries? a Marxist analysis

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## 1. Introduction

Large scale poverty has been present in all the ‘advanced’ capitalist countries since the dawn of industrial capitalism in the late 18C, and remains so to this day. A large proportion of the working class, sometimes the majority, have unhealthy living and working conditions, long hours of grinding work both paid and unpaid, slum housing, food of low quality and quantity, inadequate or non-existent health care, and consequently short life expectancy (‘absolute poverty’). Moreover, part of the working class has incomes well below the national median (‘relative poverty’), and are consequently excluded from normal living conditions and cultural norms. The persistence of poverty in the rich countries requires explanation. In this chapter I present a Marxist explanation, which understands poverty not as an anomaly but as an inherent feature of the most advanced capitalism.

Despite the persistence of poverty over centuries and in all high-income countries (HICs)<sup>1</sup>, there is no extant theorisation of the phenomenon at this level of historical and spatial abstraction. There are innumerable studies of poverty in particular countries at particular times. But where these present explanation rather than being merely descriptive, the explanation tends to focus on national peculiarities (economic or political) and particular periods of the country’s history. In contrast, a thorough explanation of poverty in a given country and period needs to start from the more abstract processes which underlie the creation of poverty. The specific forms and causes of poverty in a particular country and period are, to be sure, important in developing struggles against poverty; but these need to be understood as dialectical developments – more concrete forms – of the historically- and spatially-abstract causes. This epistemological point leads to a political one: struggles against poverty need to see themselves as transnational and as anti-capitalist, rather than simply addressing some ‘problems’ particular to a specific country and time.

The mainstream academic and policy literature on poverty does not get us very far. In the second half of the 19C in Britain, the bourgeoisie became interested in poverty, partly due to fear of rebellion and partly because of concern that an adequate labour force was not being reproduced for certain industries and occupations and for the army. Since the work of Booth and Rowntree, there have been innumerable empirical investigations into the extent and forms of poverty in particular countries. Some have described correlations of income poverty with poor housing, diet, health, family life, crime and so on. Many studies have described the spatial distribution of poverty between regions, within regions, and between neighbourhoods within cities (for example Dorling, 2015). Other research describes the overall distribution of income within a country, sometimes comparing countries. A large literature discusses definitions of poverty (Townsend, 1970). But these studies remain descriptive, abstaining from explanation.

There is a large literature on poverty framed as an issue of ‘social policy’, focused on certain impacts *of the state* on poverty (for example Alcock, 1997). This literature typically has detailed accounts of state transfer payments and targeted ‘anti-poverty’ policies in a particular country. But this literature is far too narrowly focused to constitute a theory of poverty: its consideration of economy and social life in the creation of poverty is sketchy at best.

There have also been theorisations of poverty in the HICs. These are typically highly political. Four political strands may be distinguished. First, (neo-) liberal authors have argued that poverty is a result of ‘political’ blockages in labour markets – trade unions, national industrial bargaining, minimum wages, excessive state transfers to the unemployed. If these were removed, labour markets would clear, and employment and wages would rise (Mankiw, 2001). But this neo-classical economics has been shown to be thoroughly unscientific (Green and Nore, 1977). Second, organic conservatives argue that poverty is due to the culture of the poor: lack of stable nuclear heterosexual families disrupts domestic reproduction, participation in wage labour and the socialisation and education of children; ‘welfare dependency’ saps initiative and self-esteem; pervasive crime provides an alternative to waged employment while disrupting social reproduction (Lewis, 1979; Murray, 1984). But by locating the causes of poverty within poor neighbourhoods, the role of the waged economy is occluded. Third, social democratic thought during the post-war boom argued that poverty was the result, variously, of insufficient regulation of the labour market and housing markets, insufficient counter-cyclical policies, and insufficient funding of public services and benefits. Thus intensified state action could eliminate poverty in the rich countries. But this view vastly overestimates both the autonomy and influence of the state *vis a vis* capital. Finally, social democratic thought since the 1980s has shifted towards associationalist and community-development explanations of poverty, which argue that the poor lack ‘social capital’ and effective social networks; this lack causes weak community ties for social reproduction and community organisation, and barriers to upward mobility, resulting in ‘social exclusion’ (Social Exclusion Unit, 2001; Cabinet Office, 2002). This repeats the error of organic conservatism of a narrow focus on poor neighbourhoods.<sup>2</sup>

The mainstream explanations of poverty just considered concentrate their attention on just one of the three traditional ‘disciplines’ of the social sciences, namely economy, social life and ‘politics’/the state; the other two are then considered, at most, as ‘context’. But the starting point of dialectical Marxism is that capitalist society is a totality, within which economy, social life and the state are internally related moments: they do not merely interact with but rather constitute each other. Moreover, a particular aspect of society singled out for examination, such as poverty, needs to be understood as part of the totality (Ollman 1993; Gough and Das, 2017). In this chapter, I will present the determinants of poverty in the waged economy, the state and social life in turn, while showing how each of these is mediated by the others (for more detailed arguments see Gough and Eisenschitz, 2006: Part II).

Contemporary poverty in the HICs is often attributed to neoliberalism. Since the 1970s the neoliberal strategy of capital and the state has indeed widened and deepened poverty. Wages have been reduced, labour has been intensified, employment contracts have been made more flexible for capital, and unemployment has increased. Taxation has been switched from capital to labour, public services have deteriorated, and state benefits have been reduced and made more restrictive. Housing has become increasingly subject to capitalist logics. Social life has become increasingly individualised and dominated by commodity consumption, and networks of support for the poor have been eroded (Gough and Eisenschitz, 2006: Part II). But this should not hide that poverty is produced by capitalism even in ‘normal’ times. The essence of neoliberalism is to strengthen the rule of capital; *ipso facto*, this deepens capital’s production of poverty.

I focus on the HICs, within which the great majority of the population are directly or indirectly dependent on wage labour, where an independent peasantry, urban petty-trading

and artisanal production are only a small part of the economy, where there are substantial public or socially-insured services, and where there are some state transfer payments to those on low incomes. The analysis here concerns roughly the last 120 years, the period within which the state has played a major role in both economy and public services.

## **2. Poverty and the waged economy**

Two central proximate causes of poverty and economic insecurity are unemployment and what I will call ‘poor jobs’. The latter are jobs which pay low wages per hour, per week, or per year, have disciplinary management of the labour process, have high intensity of work, and are insecure; they may also be part time, have hours varied daily by the employer, or anti-social shifts; they often lack benefits such as pensions, sick pay or parental leave. Poor jobs not only give poor incomes but also disempower and devalue workers within the production process, with negative impacts on their autonomy, personal development and self-esteem. Moreover, the capital-labour relation causes competition between workers for jobs, particularly at the lower end of the labour market, and thus social and political atomisation. Both poor jobs and unemployment are created by the fundamental dynamics of capitalism.

### *Employment*

For a capitalist economy to function continuously, wages cannot for long periods rise above a level which leaves business with an inadequate rate of profit on capital invested. If the rate of profit is too low, investment will fall because of lack of funds and lack of incentive to invest. There is therefore a permanent downward pressure on wages and a disciplinary pressure on workers: if workers do not work sufficiently hard and/or do not accept low enough wages to make their employer’s business profitable, they risk losing their jobs. This pressure acts on workers in each industry and firm. It also acts on the unemployed, requiring them to accept jobs at a wage level that will ensure their prospective employer’s profitability. This endemic competition means that other employees are competitors for jobs and promotion, and employees of other firms are rivals. Industries where the workers have ‘privileged’ conditions are put under pressure to lower them to the average; and workers in each locality or nation can easily come to perceive those in other territories as ‘thieves’ of their jobs (Gough, 1992; Gough 2003: Ch.13).

These processes put constant downward pressure on employment conditions. But wages, employment benefits, security of employment and managerial control are highly differentiated between industries, types of work and territories. Thus territorial industries with high levels of fixed investment often obtain higher than average profit rates. High levels of innovation in products or processes enable technical or design rents to be reaped by industries and firms. High profit rates permit workers to bargain for higher than average wages and for relatively secure employment and good conditions of work. Conversely, territorial industries or firms with low profitability tend to compensate by depressing wages and conditions and imposing ‘numerical flexibility’ (variations in hours, times of work and number of jobs) on their workforces. Job skill also affects employment conditions. Workers in low skill jobs where management can directly dictate the form of tasks and the pace at which they are performed are in a weak bargaining position. They can be replaced easily. A cooperative attitude and commitment from the worker is of small importance; the firm can therefore offer poor wages and conditions with impunity (Friedman, 1977). Indeed, where workers are strongly organised employers often seek to develop technologies that supplant human skills (Braverman, 1974; Noble, 1984).

These processes, then, systematically produce inequalities in jobs. The universal discipline of labour by capital is intensified in particular sectors and sites. The outcome is a large 'secondary' sector of poor jobs. These not only offer low and insecure incomes, but belittle the workers, fail to develop their skills, and are often unhealthy. They workers are denied even a limited degree of autonomy and responsibility.

These problems are compounded in irregular forms of work such as self-employment, the informal economy and crime. Low-skilled self-employment, or where the required skills are widespread, is typically not only insecure but also low paid. In the modern economy much 'self-employment' is *de facto* employment by a firm, which thereby avoids regulatory obligations. The firm can even make 'self-employed' workers responsible for their own costs for working or pay a fee to the firm for the right to work for it. Self-employed status, far from giving autonomy, is particularly strong subordination to capital. Other large categories of 'self-employment', particularly for women and migrant workers, are domestic service and home work (piecework performed at home). Their spatial and social isolation, often compounded by immigration status, subordinate the worker brutally to her employer.

High rates of unemployment or the availability of only poor jobs force people to seek their income from the unregistered (or 'informal') economy. Informal status is usually found in sectors with intense price and cost competition, where many firms survive by avoidance of tax and regulation of wages, work conditions and layoffs. Workers, like the self-employed, may choose an informal job status to avoid tax, but thereby lose legal rights and future state benefits. These jobs are particularly poor as both a cause *and* consequence of their informal status.

Criminal work has always and everywhere been major survival strategy for the poor. The two most important contemporary sectors are sex work (mostly women), and the supply of criminalised drugs (mostly men). The criminalisation of sex work ensures that the work is controlled by pimps and gangs, and that international trafficking leads to *de facto* slavery. Drug dealing is organised by partly non-capitalist rules: competition between gangs proceeds through violence. But production and distribution are organised by pseudo-capitalist firms. They are class-divided: to make a high income usually requires one to be a crime boss; for the criminal proletariat incomes are low and unpredictable (Davis, 1992: Ch.5). Thus the contemporary illegal-drugs industry "has involved 'deskilling' and the growth of the 'mass labour market'. The mass labourers .... may be as disadvantaged in this as in any other form of employment" (Croall, 1998: 266). The majority of burglars are young men with few skills, who face high risks of detection and reap low rewards (*op.cit.*: 229). Theft by women is mainly shoplifting, with even lower returns.

Thus the majority of self-employment, informal and criminal work may be regarded as the extreme end of a continuum of poor jobs which begins in the formal sector. Whilst breaking certain capitalist rules, these forms of work are reproduced systematically by capitalism: workers are forced into them through lack of decent formal jobs, and cost-cutting sectors are informalised to cut costs further. These parts of the economy should not, then, be regarded as outside the logic of capitalism.

### *Unemployment*

Capitalism offers no guarantee or right to employment. Unemployment is not an ‘imperfection’ of capitalism but is systemically produced and essential for capital accumulation. Unemployment is created by four processes, each intrinsic to capitalism:-

(i) Intensification of work (absolute surplus value) and investment in new technologies of production (relative surplus value) constantly displace labour. These are propelled by management’s wish to gain greater control over its workforce, and by competitive pressure to increase productivity (Marx, 1970).

(ii) Particular territorial economies (national, regional, local) can become uncompetitive as a result of insufficient investment in fixed capital, R&D and training, because labour has become too strong, insufficient investment in social and physical infrastructures, or due to inflation in land prices. Capital then shifts to other territories and unemployment rises. This spatial uneven development is, again, intrinsic to capitalism (Das, 2017).

(iii) The capitalist business cycle of 6 – 10 years results in regular recessions in which workers are laid off and new workers cannot find jobs. In the upswing of the cycle firms invest without coordination and wages tend to rise. This eventually results in excess capacity, falling final prices and decreasing profits or rising losses, resulting in cuts to investment, capacity and output; unemployment rises and wages fall (Hahnel and Sherman, 1982; Gough, 2003: Ch.12).

(iv) Capitalism generates long waves in which investment rate and increases in output are strong for 20-30 years and periods of 20-50 years when they are weak. Over the latter periods unemployment is much higher than the former. These long waves, too, are generated by fundamental dynamics of capitalism (Mandel, 1978; Roberts, 2016).

These processes have particular impact on poverty. Unemployment enables employers to create and recreate the poor jobs described above, by recruiting the unemployed and threatening existing workers with replacement. High levels of unemployment can enable employers to effect qualitative change in employment practices. Moreover, the least skilled workers are most likely to suffer unemployment, since employers, even for poor jobs, select workers with better skills and work experience; a long period of unemployment thus worsens the chances of obtaining a job.

### *Social differentiation of employment and unemployment*

Jobs and unemployment are also affected by the oppressions of gender, ethnicity and age. Social life produces different status, imputed need for a (good) job, and different access to skills demanded in waged work. Employers providing poor jobs may prefer women, certain racialised groups or young people as cheap or malleable labour; these groups then may have relatively low rates of unemployment but low rates of pay. But in some localities oppressed groups have high rates of unemployment because of their low skill levels or lack of continuity of employment, inability to access jobs because of care commitments, discrimination by employers, or hostility from other workers. In either case, poverty of these groups is reproduced. This then reinforces their oppression within social life: poor jobs reproduce social oppressions and social oppressions reproduce poor jobs. The competition between workers for jobs which is a fundamental feature of capitalism then leads native-born workers to resent immigrants for undercutting wages and ‘taking their jobs’. Thus the

ethnic/racial division of labour politically divides the poor more than it does better-off workers (Gough, 2017).

This analysis suggests that class and social oppressions should not be regarded as distinct sets of social relations which merely interact or ‘intersect’ with each other externally, but rather are *internally* related processes which construct each other (McNally, 2015).

### *Spatial differentiation*

We have seen that investment and output are spatially uneven. Alongside such quantitative differences, qualitative differences are systematically produced, so that particular types of poor jobs are concentrated in particular areas. Industries with high productivity and innovation tend to be spatially agglomerated into particular ‘core’ localities and regions. Agglomeration enables the reproduction of a workforce with the skills and attitudes desired by employers, and helps to foster cooperative relations between firms and their employees. It facilitates networking, collaboration and changing divisions of labour between firms for flows of goods, services, information and personnel. These virtuous circles of agglomeration tend to be strongest in the production of complex goods and services which require strong knowledge generation and application and which use relatively skilled labour (Storper and Walker, 1989). The high value-added can then be partly appropriated by workers as good wages and conditions. In contrast, in industries or stages of production which produce standardised goods or services, where little new knowledge is generated, and where tasks are relatively low skilled, production tends to be located in ‘peripheral’ low cost locations. Many of these jobs have been split off from higher-level work in the same firm or production chain precisely in order to separate them spatially and socially (Massey, 1984). Since low costs can be found in many regions of the developed countries and in most of the HICs, this production is footloose, moving in search of yet lower wages, more pliant workers, or new state subsidies.

Core and peripheral areas create poverty in distinct ways. In the peripheral areas the majority of jobs are poor. Substantial levels of unemployment are chronic. It is hard for unions to recruit. The informal and criminal economies usually form a large proportion of economic activity. When this situation persists over decades, expectations regarding wages, conditions, skill and career are low, and people’s self-confidence as economic agents is minimal. But the core areas also create poverty. Consumer service jobs, whether in the private or public sector or in domestic service, are as poor in these areas as in others: low skilled and ‘numerically flexible’, offering low wages and poor conditions and security (Bryson *et al*, 2004). But land and housing, dominated by core production activities and core workers, are expensive, so that those in poor jobs are even worse off in core regions than in peripheral ones (Sassen, 1991). Low aggregate unemployment rate across a core region disguises high rates of unemployment and underemployment for those with a poor work history, for ethnic minorities, and for people living in stigmatised neighbourhoods.

Immigrants naturally try to settle mainly in core regions. The work of these migrant communities is typically in the consumer service sectors, in the informal economy, or in businesses owned by people of their own ethnicity; in the latter, bonds of ethnicity are used to subordinate workers and jobs are typically very poor (Kakios and van der Velden, 1984). ‘Illegal’ immigrants working in sweatshops, domestic service or sex work are subject to the very worst conditions, violence, and often de facto slavery. Where members of migrant

communities are employed in large numbers by a local industry in order to worsen wages and conditions, this creates resentment and xenophobia on the part of people born in the area.

Whereas in weak regions poverty can be the majority culture, a widely shared experience represented in dominant discourses, in core regions the socially-oppressed and the poor appear as anomalous because they have somehow failed to share in the 'general' prosperity; the cultures of the poor tend to be more suppressed, and indeed seen as threatening, within the region's dominant discourses (Stedman Jones, 1983; Davis, 1992). Whereas in the weak regions capital mobility undermines collective organisation, in the core regions divisions *within* labour undermine collective organisation (Gough, 2003).

We see, then, that poor jobs and low incomes from work are constructed systematically by patterns of capital accumulation and internally-related capitalist wage relations. Since the late 19C these processes have been increasingly strongly mediated by the state, to which we now turn.

### **3. Poverty and the state**

In the view of the Right, the state is a major creator of poverty since it blocks the 'free markets' which can price the poor into work. This view neglects the enormous positive role of the state in capital accumulation and in the production of labour power needed by capital. In the social democratic view, the state is an institution which can intervene into the economy 'from the outside' in the interests of 'the public good', thus potentially eliminating poverty. But this greatly exaggerates the autonomy of the state from capitalist dynamics. In the Marxist approach taken here, the state arises from the contradictions and failures of capital accumulation and the reproduction of labour power, and is a site of the conflict between capital and labour (Clarke, 1991). State policies can therefore either benefit or disbenefit the poor, depending on class struggle and how the reproduction of the poor articulates with capital accumulation. I examine four areas of state intervention directly impacting poverty: policies for the waged economy to benefit the poor, taxation, public services, and state benefits.<sup>3</sup>

#### *State intervention into the waged economy*

Since 1945, states have intervened strongly into the waged economy. Some policies have ostensibly been directed at reducing poverty; they are, however, always also aimed at strengthening capital accumulation, and their success is conditional on achieving the latter. Five types of policy are important here.

First, states have used fiscal and monetary policy to counter the business cycle, and thus lessen the rise of unemployment in recessions. When profit rates on capital are moderate or high, these interventions can stimulate investment and expansion of output. However, if long term profit rates are low, fiscal or monetary stimulus instead results in inflation in the price of goods and services (1960s – 1970s) or in financial assets (since the 1980s). This illustrates the limited effectiveness of the state on the dynamics of capital (Clarke, 1988; de Brunhof, 1978).

Second, the state has attempted to stimulate investment in regions, localities and parts of cities with high unemployment. This has been done partly by national government investing in physical infrastructures and giving subsidies for capital investment. It has been done by

regional or local states either attempting to attract inward investment, or by stimulating investment by locally-based industries and firms (Eisenschitz and Gough, 1993). Interregional redistribution of investment has had some success in increasing manufacturing investments in poor regions (Rhodes, 1995). But the great majority of this has been low skill, standardised production, which was spontaneously locating to these regions (Massey, 1979; Peet, 1987). Policy largely failed to increase higher value-added production. Moreover, firms often move elsewhere after five or ten years when re-equipment is needed. Some regional and local initiatives have attempted to root production more strongly in the area by organising relations between firms and institutions and linking investment to training and reproduction of labour power (Gough and Eisenschitz, 1996; Gough, 2002). But this strategy has often been too weak to change the cost cutting and labour-disciplinary strategies of firms, or to counter national and global flows of commodities, information and capital (Eisenschitz and Gough, 1996). Regional and local economic strategy has thus generally failed radically to improve the quantity and quality of jobs in poor areas.

Third, during depressions governments may consider the classic Keynesian policy of directly creating jobs wholly funded by state spending, through physical infrastructure building or social service provision; the classic case was the US New Deal in the 1930s. But this approach has been little used, and the New Deal itself was very limited in scale. In a depression capital is particularly resistant to increased state spending. Moreover, this type of state intervention is dangerously politicising, in showing the socialist potential of state-funded jobs for all the unemployed; this danger underlay the refusal of Roosevelt to carry out the New Deal in cities, confining it to rural areas where organised labour was weaker.

Four, training funded and organised by the state has sometimes been targeted on disadvantaged workers, including the long term unemployed, those with redundant skills, poor education or work experience, and women and BME people, ostensibly to improve their position in the labour market. This usually involves training in basic numeracy, literacy and work habits, plus low level manual or clerical skills. In localities with low unemployment these programmes can have positive effects. But where unemployment is substantial, training does not lead into a job; rather, by increasing the supply of low-skilled labour power, the schemes tend to exacerbate competition between workers and enable employers to further reduce wages (Martin, Nativel and Sunley, 2003). To be successful such schemes would need to be tied to effective local job creation. As so often, a 'common sense' policy targeting a particular problem on its own terrain fails, or is actually counter-productive, because it is not joined up with other policies (Gough, 2002).

Fifth, the state may attempt to improve wages and health and safety of poor jobs by regulation of employers to meet minimum standards. However, in countries with liberal traditions, resources for policing these standards are usually wholly inadequate and penalties for violations derisory. Moreover, if a firm is closed down by regulators, it often starts up under another name. Effective regulation usually requires strong industry or community-based trade unions.

Six, since the 1970s states have sponsored entrepreneurship for the poor, whereby the poor 'create their own jobs'; this has been a favourite policy in many HICs since the 1970s. Conventional firms and not-for-profit enterprises have been subsidised in various ways and management training, targeted particularly on the unemployed, women and BME people (Eisenschitz and Gough, 1993: 88-99). But despite the subsidies, these enterprises are drastically under-capitalised and lack innovative or distinctive products. They are generally



in sectors with low barriers to entry, where start ups simply add to over-production, exacerbate intense price competition, and thus put further downward pressure on prices, wages and failures (*ibid.*: 172-9). This is true of social enterprises as well as private firms (Eisenschitz and Gough, 2011). The new private firms tend to have very low wages and poor conditions; BME-owned enterprises employing workers of the same ethnicity typically use community ties to super-exploit (Kakios and van der Velden, 1984). State encouragement of entrepreneurship of the poor thus results in many losing their meagre savings, and in further downward pressure on wages and conditions in small-firm, low capitalisation sectors.

We see, then, that state economic interventions in the interests of the poor often fail because they cut across patterns of capital accumulation, are too weak, or are insufficiently coordinated with other policies. But for the state to be bolder and more holistic would risk politicisation and encourage demands which challenge capital (Eisenschitz and Gough, 1996).

### *Taxation of the poor*

The enormous growth of state spending in the last 100 years has required a corresponding increase in taxation. The majority of tax revenue comes from the population rather than business. Workers pay tax in four main forms: income tax, purchase taxes, social insurance contributions, and local taxes on house value. Income tax is progressive (a higher rate the higher the income) from low incomes to the upper middle class, but middle income earners often have tax breaks, and the rich pay little income tax by using international tax evasion. Purchase taxes are broadly neutral. Taxes on housing value are regressive. The result is that the poor can pay tax at a rate similar to, or even more than, the average. This problem has been exacerbated by neoliberalism: taxes on corporations have been cut; purchase taxes have increased relative to income tax; income tax has become less progressive, and evasion of it by the rich easier. Taxation is thus a very substantial contributor to poverty. Accordingly, middle and low earners often fiercely resist increases in taxation (British poll tax uprising in 1989, French *gilets jaunes* in 2019).

### *Social services*

From the late 19C until the 1980s there was qualitative and quantitative growth of universal public services funded by the state or by compulsory social insurance; particularly relevant to the poor are education, nurseries, health care, and social services. These forms of care were provided inadequately or not all at by working class households, which lacked the time and skills to provide them internally and the money to buy them externally. Their hundred-year growth was powered both by working class demands, and by the wish of some sections of capital for a more skilled and healthy workforce (I.Gough, 1982). Women, particularly, benefited from these services as they socialised some aspects of care work regarded as women's responsibility (Wilson, 1977).

These services have undoubtedly benefited the poor, and to some extent compensated for low household incomes. But the promise of universal services that they would give equal benefit to all, irrespective of income, has not been met. First, public services often have inadequate funding. Even in times of prosperity there is resistance to increases in taxation from parts of business and the population. Social provision transgresses the capitalist belief that the individual is responsible for their own reproduction. Public services are labour intensive and increases in productivity are hard to make without sacrificing quality, so that their cost tends

to increase as a proportion of GDP. Where public services are funded substantially from local taxation (something which varies enormously between countries), poorer localities are forced to have lower spending.

Second, public services have tended to prioritise their function for business, to reproduce useful labour power. Thus services for the elderly, the disabled and the mentally ill tend to be poorly funded. The quality of care varies enormously as a function of the political pressure from the working class; where this is weak, the services can be drastically underfunded, disciplinary, cruel, and sometimes lethal. School education has been strongly influenced by the aim of feeding young people into the labour market. The education of future professional workers (mainly middle class children) has been separated from that of manual and clerical workers (working class children) in different schools or streams. A large part of the real curriculum has been to teach children to be quiet, sit still, postpone gratification, and accept the teacher's authority; this obedience is a crucial quality required by all employers (Braverman, 1974), and this is the *only* quality required in poor, routine jobs (Bowles and Gintis, 1976; Illich, 1983).

Third, the working class, and the poor particularly, tend to get less out of given public services than middle class people. Service delivery often favours the 'respectable' working class over the poor, men over women, white people over black. The poor, lacking daily experience of performing with middle class people, tend to negotiate less well with teachers, doctors, housing managers and social workers. The poor often *need more* from the service – more intensive teaching due to lack of cultural knowledge, more health care due to poorer health, more help from social workers due to material deprivation and consequent family tensions (Tudor Hart, 1971; Carrier and Kendall, 1998). Poor children often have low attention span at school due to hunger or to a highly processed diet, and have no quiet space at home to do homework (Millar, 2004). Many poor children reject the class-disciplinary aspect of education, as they often do not see the kind of knowledge imparted by schools as relevant to their situation. School therefore becomes a game of wits, in which misbehaviour provides the only sense of power and enjoyment (Willis, 1977).

The failures of public services for the poor are, then, embedded in, and subordinate to, society-wide structures of exploitation and oppression: the services to a large extent serve and reproduce individuals' places within the dominant social relations, and individuals bring to the services their past conditioning by those relations.

### *State benefits*

The wages of the poor often do not allow the most basic social reproduction (section 2). In consequence, over the last century the state has been drawn increasingly into providing incomes and money-benefits (I.Gough, 1982). Sections of business sometimes support unemployment benefits in order to reproduce a workforce of sufficient quality and in the right place. In contrast, state incomes for those who can never work and the retired have been largely the result of pressure from the working class.

State benefits are, however, severely constrained by capitalist social relations. Because of the extent of the failure of wage incomes, their cost is enormous: in Britain in 2005, for example, it was 11% of GDP and a third of all state spending (Millar, 2003). Moreover, state incomes for people of working age must be low enough not to deter them from seeking the lowest wage employment, while being high enough to avoid destitution; this results in the 'poverty

trap' (from the point of view of workers) and disincentives to work (from the point of view of employers). These contradictions underlie three alternative forms for delivering benefits:-

(i) Social insurance and contributory benefits

These incomes for sickness, unemployment and retirement are funded by contributions from waged workers, and sometimes also from employers and the state. The form fits capitalist norms in that individuals fund their own benefits, and benefits may increase with contributions. A disadvantage for workers is that the benefits are limited to those with a (sufficient) work record, excluding many. Moreover, because they are not tied to needs, benefits may not meet the costs of subsistence for a particular household and place.

(ii) Non-contributory benefits

These contradictions of social insurance have led to the development of non-contributory benefits. These purport to address unmet need, and are *selective* with respect to social group, existing income and savings, household form, and living costs. Members of specific groups such as children or the retired may get a 'categorical benefit' irrespective of their household income; but benefits to (potential) workers and their households are means tested. Non-contributory benefits can also pay towards the cost of items regarded as essential such as housing, school meals, heating of pensions' homes, basic durables, and local taxes, thus taking account of variable living costs.

The variable and targeted nature of such benefits and their lack of relation to the labour market cause problems for both state and recipient. First, these benefits are more likely than social insurance to lead to the 'poverty trap' since they are designed to meet basic subsistence but no more, cutting off if a slightly higher wage income is obtained. This then produces pressure to extend the benefits to those on higher incomes. Second, whereas social insurance provides benefits to individuals, mean-tested benefits are tailored to *households*, tending to reinforce the financial dependence of women on men (McKay and van Every, 2000). Third, the state has to employ investigators to check the income, expenditures and household composition of claimants. This policing conflicts with the fundamental capitalist ideology of the privacy of the home. Fourth, many fail to apply for means-tested benefits, because of resentment of the invasion of privacy, ignorance of their rights, the complicated and slow administration involved (Dean and Taylor-Gooby, 1992: 72). Fifth, landlords of benefit claimants tend to raise their rents knowing that they will still be paid. Six, unlike contributory benefits, the state may make receiving non-contributory benefits conditional on 'searching for work', that is, taking any job however unsuitable, low paid or remote ('workfare'). This is not only bad for the individual, but in aggregate fuels the expansion of poor jobs (Jones and Novak, 1999).

(iii) Tax credits

One way in which states have attempted to deal with the contradictions of benefits is to reduce income tax on low wage-income. The possibility and the need for this policy arise from the substantial income tax paid on low wages (see *Taxation* above). The effective benefit paid is still means tested, but the poverty trap is reduced since tax reduction continues to apply as claimants take up waged employment. Tax credits avoid one of the problems of non-contributory benefits by appearing as retained earnings rather than 'a handout'.

However, if tax credits are to reflect household composition or costs, administration is still intrusive. Moreover, tax credits for low-waged workers, in the long term and in aggregate, enable employers in low-age sectors to reduce wages. The state expenditure then flows as subsidy to employers, with little net benefit to the employees, just as housing benefits end up as subsidies to landlords with little benefit to tenants.

There are, then, important material and ideological differences between these three forms of benefit. But none of them escapes from the tension between the capitalist wage relation and the meeting of need by the state.

#### **4. Social reproduction and poverty**

The self-reproduction of people within households and neighbourhoods is closely entwined with poverty. Social life is a bulwark against poverty, but it also involves many particular material deprivations, and tends to deepen wage inequality. I consider here some interconnected threads: households and gender difference, neighbourhood survival strategies, housing, neighbourhood poverty, and consumption of commodities. All of these are deeply connected to the economic and state relations discussed in previous sections.

##### *Household, caring work and gender*

In capitalism, the core site of the reproduction of people is the household, which uses wage and state-benefit income to purchase goods and services, including housing, and use them to carry out domestic and caring work, the majority of which is carried out by women. Poor housing and inadequate durables and non-durables mean the poor have to perform more domestic work than the better-off. This is compounded by lack of income to buy services: nurseries and child minders, care homes for elderly relatives, repairs to the house and durables, ready-cooked meals. The results are a massive burden of domestic work falling mainly on women, the ‘triple working day’ (Little *et al.*, 1988) and also a tendency for the poor to be inadequately cared for materially and sometimes emotionally.

Since the earliest industrial capitalism, the burden of domestic work has been particularly onerous because both women and men in poor heterosexual-families have had, or sought, waged employment. From the late nineteenth century better-paid working class men demanded, and sometimes obtained, a ‘family wage’ so that their wives could be full-time carers. Since the 1960s, however, women with male partners have increasingly taken up waged employment. Women have sought the financial and social independence of a job. A new norm of a dual wage household has also enabled capital to hold wage rises below increases in productivity while still meeting household consumption norms. In consequence, the two-wage couple has become the norm, as it has always been for the poor. This development has the *potential* for greater gender equality; but the reality has largely been for women to continue to do the lion’s share of domestic work, so that the net result is an intensification of their working day. Moreover, the new social *norm* of two wages means that working class couples with one or no wage are much poorer relative to the average household than trends in individual wage distribution suggest (Leira, 2002).

In the nineteenth and early twentieth centuries, extended poor families living within a neighbourhood enabled much caring work to be shared between generations of women (Young and Willmott, 1957). But since the Second World War the family has tended to shrink to parents and their biological children. This shift has been underpinned by rising real

wages, lightening of some domestic tasks, the state pension, smaller numbers of children, and by more frequent moves to obtain jobs. The result, however, is that working class carers are now more isolated, and thus have greater difficulty in taking up waged employment.

### *The decline of neighbourhood survival strategies of the poor*

This tendency has been exacerbated by decline of support from non-kin neighbours. The poor have traditionally survived through the material and moral support of their neighbourhood. Neighbours supplied help with domestic work, and constituted mini-welfare systems that helped to solve problems in family relations, finance and housing. Childcare and repairs were available on a reciprocal basis (Pahl and Wallace, 1985). Children could play safely in the streets because watched over by neighbours (and the absence of cars). What this lacked was privacy or room for unconventional social behaviour (Hoggart, 1957).

Kin and neighbourhood also provided access to jobs. Better jobs, especially, required someone to 'speak for' you (McKibbin, 1998: 120). Moreover, communities facilitated 'ducking and diving' - the entrepreneurship of the poor (Ross, 1983; Tebbutt, 1983). Cheap illegally acquired goods were available. These means of survival were legitimated by the local culture, which consequently tended to be hostile to policing of the neighbourhood.

But this system has been eroded. During the 20C networks in poor neighbourhoods were weakened by the increase in women's time spent in wage work, increasing commoditisation of consumption, growing state services, and suburbanisation. All of these were associated with increases in living standards for the majority, and, to some extent, for the poor. Yet their paradoxical effect has been to weaken the social structures through which the poor survived, and to reduce their control over their lives and ability to recover from setbacks. Greater dependence on commodities has eroded practical skills for work and creativity in the home. Expanding public services have individualised their users rather than developed community cooperation. Slum clearance dispersed longstanding communities by failing to re-house them *in situ*. Indeed, this was often an aim of planners who sought to break up what they saw as a negative culture of poverty (Burns, 1963; Davies, 1972). Social housing opportunities for young adults often located them far from their neighbourhood support networks (Speak and Graham, 2000).

These changes have had the effect of isolating poor individuals and households (Li *et al*, 2003). Help with caring work, moral support in crises and job networking have been weakened. Many consequently suffer from isolation, sometimes reinforced by depression and low self-esteem. Moreover, weakening of neighbourly ties has made it more difficult to deal with bad neighbours by reducing the collective pressure and actions that kept noise, rubbish dumping, public violence and vandalism in limits, so that these have become major problems of many poor areas.

This is not to argue that mutuality and community solidarity have disappeared among the poor. Indeed, community networks may be strongest in the poorest working class neighbourhoods (Forrest and Kearns, 2001). The strength of community ties varies strongly between neighbourhoods, depending partly on the degree of population stability (Cattell and Evans, 1999; Johnston *et al.*, 2000). The diagnosis of complete social fragmentation is an ideological one: it deflects attention from external conditions creating poverty and legitimates the capacity building approach to poverty alleviation. Nevertheless, social-spatial

modernisation *has* eroded many of the traditional survival mechanisms.

### *Housing*

Since the dawn of industrial capitalism, housing of the poor has been overcrowded, cold and unhealthy; this continues to the present day. There are large differences between HICs in their mixes of housing tenures, historically produced by class struggles and forms of urbanisation. But certain features of capitalist housing are universal. First, houses are expensive to build relative to working class incomes, and *a fortiori* incomes of the poor. The cost of new build, or purchase of existing houses, is met by borrowing (by whatever agent) from banks or savings/loan institutions; repayments or rent on this debt are large relative to working class incomes, particularly if interest rates are high. Moreover, the production of housing and its repair is labour intensive and hard to mechanise; the production cost of housing therefore tends to rise in the long term relative to the costs of manufactures and some services.

Second, in capitalism land is a commodity. Since it is not produced, its price depends on the ground rent, the locationally-specific portion of profit realisable on the site (commercial land), or on the house price premium payable for the location of the site (housing land) (Edel, 1976); to the extent that commercial and housing uses respectively can be exchanged, these prices tend to converge. The price for a house site in cities and towns can therefore be high, sometimes many times the production cost of the house itself. Land price is thus a tribute paid by the poor to landowners. The housing land price is highest in the cities where jobs are plentiful and well-paid, and lowest in cities and rural areas where unemployment is high and wage low. Workers thus face a geographical trade off between job availability and housing price. In particular, the poor in poor areas usually cannot afford to move to growth locations to work. At a smaller scale, land in distant suburbs can be cheap, particularly in countries with low-density cities (North America, Australia); but this has the severe penalty of total dependence on the car.

These problems are mediated by tenure (CSE, 1976). The poor generally cannot get mortgages because they lack secure long term income. Where the poor do obtain a mortgage, they become vulnerable to any rise in interest rates and then face losing everything, as with 'sub-prime' mortgages in the US in 2007. In many countries the poor in cities have no option but to rent from private landlords. The latter have an effective class monopoly, and can charge high rents for cramped accommodation in poor repair, with no security of occupation (Harvey 1973). This causes continual disruption to the lives of poor households, including children's schooling. The only way that rents become affordable, tenancies become secure, and repairs get done is through strong state regulation, which always requires working class struggle. By far the best housing for the poor is state-owned or cooperative. These, too, require state regulation and loan guarantees. Expansion of social housing is sometimes supported by sections of capital which see low rent housing as a way to moderate wages, but its expansion always relies on working class pressure.

### *Poor neighbourhoods*

Since the 18C, capitalist towns and cities separate different income groups by area. People who have the money seek to live in the 'best' neighbourhood they can afford in terms of house quality, amenities and physical environment, and for social-cultural reasons seek neighbours of the same (or higher) income. House and land price in these neighbourhoods

rise. These prices then exclude people of lower income. The outcome over time is that the whole city acquires a structure of *single-income* neighbourhoods, including neighbourhoods which have only poor residents.

In British and US cities the pattern has been of outward movement of the better-off to newly-built suburbs: the middle class from the early nineteenth century, the better-off working class from the late 19C through to the 1950s. Social democratic reformers saw the leafy suburb as a solution not just to the housing problems of the poor but to poverty in all its forms (Howard, 1902). But the poor could not afford housing costs of the suburbs nor the costs and time of commuting, and thus largely remained in their old areas. In consequence, by the 1960s inner city areas were largely poor. In Britain, as elsewhere in Western Europe, public housing has been built either in old working class areas or on peripheral green field sites. The majority of public housing has thus been in distinct – thus lower income – neighbourhoods, *mirroring* market patterning (Wadhams, 2002).

Spatial concentration of the poor is deepened for BME groups by racism. Due to low income and racist exclusion from many suburbs, BMEs locate in existing areas of poor, cheap housing. This pattern then develops cumulatively, due to the wish of ethnic minorities to live with others of the same ethnicity to obtain jobs and for social support and shared cultural facilities, as well as to minimise racist attacks.

Spatial segregation by income has led to vicious circles of privilege at one pole and deprivation at the other. Higher-income neighbourhoods tend to have better private services, better exam grades in schools, more open space, and fresher air, which strongly shape life chances and class position. The housing market enables the better off to capture these ‘public goods’ and capitalise them. The *logical counterpart* to these processes is the worsening of conditions of the poor through their ghettoisation. Public services, retailing, financial services and transport are often of poor quality. Industrial and vehicle air pollution are often high. The area then becomes stigmatised. Residents are stereotyped by employers as illiterate and innumerate, unreliable or dishonest (Mee, 1994). Mortgage providers often ‘red line’ these areas, which leads to cumulative under-investment in housing (Harvey, 1973).

These problems then cause households that can move out to do so, draining the neighbourhood of economic and political resources (Byrne, 1999; Power, 2000). This has led some poor neighbourhoods in low-growth cities to become seriously depopulated; streets become emptied and rapidly vandalised; the physical environment becomes atrocious (Harvey, 2000).

Spatial changes in capitalist investment in employment and consumer services across cities have further disadvantaged the poor. As cars have become the norm, retail has become increasingly concentrated in giant malls, and neighbourhood shops close. Health services have tended to concentrate. New office, warehouse and (remaining) factory investment is located in large sites on city peripheries or further out. For poor people without cars - or without the *use* of the household car as is often the case for women and young people - these services and jobs become inaccessible or require very long (and expensive) journeys by bus.

We should, however, note that spatial concentration of the poor is a potential resource for political mobilisation. Collective action tends to be easiest to organise on the basis of shared problems. Local organisation is easier in terms of time and money. Social networks provide a starting point for organising. Moreover, collective organisation depends on trust of its

leaders; in a neighbourhood the latter are known personally, and subject to collective will (Beitel, 2017). However, neighbourhood mobilisation of the poor is limited by the heavy, often racist, policing of poor neighbourhoods.

A different type of problem for poor neighbourhoods is their eviction by uses with higher ground rent. In cities at the top of the business-service hierarchy, professional employment has increased steadily since the 1960s. Some of these professionals wish to live in inner city locations, because of the easy access to the CBD, the historic architecture, or, iteratively, the ‘vibrant’ social atmosphere. Up until the 1980s this was largely achieved by the individual professional household buying single houses from owner occupiers or landlords; the former could then move out to the suburbs. Since the 1980s, however, gentrification has been accelerated, and carried out in more ‘difficult’ neighbourhoods, by local governments in association with large property companies; the existing residents are evicted together, the housing demolished, and rebuilt, often at higher density, for middle class use. The evicted residents may be offered small compensation, or offered cheap low quality housing in remote locations (Lees *et al*, 2008). In both ‘classical’ and state-led gentrification, the working class lose their social and kin networks, and access to their jobs in the inner and central city. Less well-recognised are the problems for the rural poor created by the move of middle class commuters and retirees into pretty villages and the purchase of second homes there. This has severely depleted the housing stock available to working class people and forced young people to leave their communities (Cloke *et al*, 2002). Once again, the life-world of the poor is disrupted by capitalist land and housing markets.

### *Damaged by commodities*

Long-term growth in the productivity of consumer commodity sectors tends to increase the the volume and types of commodities (goods and services) which constitute normal consumption. While some of these commodities can be useful for the poor, they can also damage them. First, many common commodities do physical or psychological harm. Unhealthy foods and fast food, dangerous chemicals used in thousands of household products, the video games and social media which decrease children’s attention span – these are part of the consumption of the whole society. But they are a particular problem for the poor, since they have the least choice in what they buy and are most deprived of information on these products. The capitalist production of information and entertainment means that the poor consume newspapers, TV, music and games which often convey reactionary assumptions on gender, ‘race’ and class, and thus contribute to their low self-esteem and disempowerment.

Second, new products become necessities: the car (by its reconfiguration of the urban fabric), the internet (to be in touch with the contemporary world), the mobile (for young people to have a social life), and so on. Culturally-loaded commodities (clothes, music, leisure spaces) become important for the formation of personal identities. These commodities are then not freely chosen but are coercive. But the poor often cannot afford these commodities, or have to sacrifice essentials in order to buy them. This leads to the poor being excluded from mainstream life.

Third, the poor sometimes consume luxuries, again at the expense of essentials. They may buy expensive versions of simple commodities. Poor youth aspire to luxury brands of clothing, luggage, jewellery, drinks and perfume. Expensive school proms and lavish nights out on the town are popular, as are stag and hen weekends in distant cities. Luxuries have



long been promoted by advertising, life-style magazines and TV, and now by the social media. But the main push is from people's own lives: luxuries offer compensation for disempowering jobs and conflictual social life, and enable a brief moment out of poverty.

Taking all these aspects of social life together, we can see that households and neighbourhoods enable the poor to survive and to make life in some ways tolerable. But the atomised and antagonistic relations of social life and its material deprivation mean that the poor are not able adequately to reproduce themselves nor their labour power. Moreover, by further weakening their position in the labour market, their social life worsens their income deprivation.

## 5. Conclusion

We can conclude from this analysis that poverty in the HICs is not due to 'market imperfections' nor to internal features of poor neighbourhoods which can be remedied by limited reforms targeted on the poor themselves. Rather, it is systematically produced by the basic structures and processes of these societies. The sphere of capitalist waged employment systematically produces poor jobs and unemployment. Reciprocally, the poor play an important role in capital accumulation. State economic and industrial policies fail substantially to improve employment for the poor because constrained by lack of control over capital and reluctance to politicise the economy. Public services provide inferior outcomes for the poor. State transfer incomes are inadequate because of their subordination to the capitalist wage relation. Households and social life and the relations of kin and neighbourhood are a vital support to the poor. But the effects of low and uncertain income are exacerbated by materially-deprived caring and domestic work, inadequate public and private services, and cramped and unhealthy housing. Moreover, these undermine the poor's reproduction of their own labour power and thus deepen the employment causes of poverty. Gender and racism intertwine with class to reinforce poverty as well as to differentiate it. Poverty is thus created and perpetuated by the internally-related economy, state and social life of capitalism.

In social-democratic thought, which dominates academic writing on poverty, the suffering of the poor is presented as distinct, as qualitatively different, from the condition of the rest of the population. It is certainly materially and psychologically worse. But all forms of exploitation, oppression, exclusion and suffering of the poor are found also in the lives of the whole working population, that is, in the 90%, the working class in the Marxist sense. The poor experience a *condensation* of these oppressions, often in extreme forms, which moreover compound each other. But the qualitative forms of these oppressions operate across the whole population.

This internal relation between the poor and the not-poor also operates in the reverse direction: the existence of the poor weighs down the lives of the whole working class. Poor jobs put chronic downward pressure on the wages and conditions of all workers. The particular difficulties for workers in poor jobs to organise weaken the trade unions. The unemployed and those in poor jobs are a reserve army which employers in some sectors can use to undermine their employees' wages and conditions. Perhaps most importantly, workers in the non-poor economy accept the discipline of their employers, and remain in tyrannous jobs, through fear of losing their job and falling into the condition of the poor. Ideologically, the constant campaign of denigration by the media and politicians against the poor portrays the whole working class (in the conventional sense) as lazy, feckless and stupid, thus justifying

their exploitation and the forms of discipline directed against all working class people (Jones, 2011).

If poverty is produced by the totality of society, then measures which target particular sites or aspects of poverty are doomed to failure: it cannot be solved outside of an end to capitalism. Since poverty is a condensation of oppressions which are experienced by the whole population, it can only be addressed by struggles against all forms of economic, social and state oppression. These struggles benefit the whole population, not just the poor. The collective organisations of the whole working class in both the production and reproduction spheres and within-and-against the state are thus crucial for addressing the immediate needs and long term interests of the poor.

## Notes

1. I eschew the common term 'More Developed Countries' because of its uncritical implication that capitalist 'development' is a unilinear, equitable and wholly-beneficial process. I do not use the term 'imperialist countries' in this article, despite believing that imperialism is a real and important set of processes, because of lack of space to distinguish between the many different Marxist theories of imperialism.
2. For critiques of these four approaches, see Gough and Eisenschitz, 2006: Part III.
3. Policing of the poor has major impacts, mostly negative. These are not discussed here due to lack of space; see Gough and Eisenschitz, 2006: 122-125, 203. Where policing has the greatest negative impact on the poor is, however, the repression and sabotage of the trade unions, social movements and struggles of the whole working class.

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