

Evaluate microeconomic and macroeconomic policies that could be used to reduce inequality in the UK

Expansionary fiscal policy, whereby the government increases expenditure, could reduce inequality. By increasing spending towards “social transfers”, claimants disposable incomes increase, particularly those on lower income brackets. This not only stimulates their marginal propensity to consume, it more importantly enables them to fund various aspects of their lives, such as childcare, housing, and basic necessities leading to improvements in quality of life also reducing strain from the cost of living crisis. In addition, increased finance for welfare schemes, relieves strains on services, such as the NHS, e.g. through “reduced waiting times and more available beds”. Therefore, it can be said increases in expenditure directly reduce inequality as they proportionately affect those reliant on welfare schemes. Yet, due to imperfect information held by government bodies e.g. “ONS”, there are many unknowns and assumptions, including but not limited to, which regions/welfare schemes need funding the most and how much?

Alternatively, increases to the national minimum wage could reduce inequality. Were the NMW to increase from 10.24, effects similar to increased social transfer could be observed. Workers with higher wages, possess higher disposable income, this can reduce income inequality, as their disposable income rises. Insert Lorenz curve and gini coefficient. However, as only 5% of the UK are on the NMW, any increases to it will only be felt by an insignificant portion of the UK, moreover, over 2.5 million of the UK are on long-term sickness leave, increases to the NMW wouldn't reduce inequality felt by those people. Moreover, London is at 3% However, Northern Ireland and the NE are at 7%, this suggests that increases to the NMW will be felt stronger in certain regions. Yet, being this the case, costs of living are vastly different, e.g. the general basket of Goods for London is X% higher than the N.E. If the NMW is set above the equilibrium wage rate, there will be an increase in unemployment. This is because the price of labour increases, so demand from firms falls. Firms thus may be incentivised to replace labour with capital (machinery) in the production process (e.g. self-service tills in supermarkets). As this graph shows, more people want to work at the higher wage rate, and firms want to employ fewer workers. This leads to an excess supply of labour - unemployment. The increase in unemployment mean that the government has to pay more in unemployment benefit (JLA), counter-intuitive, The NMW is designed to help reduce poverty, but those who are poor do not tend to have a job in the first place. Therefore the NMW does not help them at all because it makes it even harder for them to get a job.

The main beneficiaries were part-time workers and women, who were both paid low before NMW. This increases income for women who bring in a second income to a home. These are not poor people, so the NMW is not helping those who need the help.

Employers have to finance the increase wage costs. They may make workers redundant, or

might pass on the cost to consumers through increased prices (inflation). Both of these are bad for the economy. Some businesses might have to take cuts in profit margins, and this can lead to failing of a few businesses.

Younger and lower skilled workers will find it even harder to find a job. This will lead to a substitution effect, where employers tend towards experienced workers as opposed to younger ones.

Rather, a long-term approach would, also discuss magnitude. The gini coefficient is forecast to rise to 0.35. Talk about regional unemployment, north south divide. benefits can be earmarked for, hdi in tower hamlet

No one microeconomic or macroeconomic policy can be used to reduce inequality in the UK. It's important to consider that new governments voted in could overturn said policies, current governments have incentives to choose popular shorttermist policies over more effective long term policies. Given the current information we have (ONS figures etc) it's wiser to employ a combination of policies. For example, increases to the NMW are beneficial as governments normally have to pay money to those in work but earning low wages, increasing NMW would reduce expenditure from government, and the increased employment income within the government leads to an increase in income tax revenue, allowing the government to finance more social welfare schemes through expansionary fiscal policy. Finally, the many unknowns and assumptions are better foolproofed, through, unintended regressive, none of this is watertight, it may take generations for these policies to properly actualise. , It may take generations for these policies to actualise, thus dampening/negating any initial positive effects to begin with Milton Friedman I think the government solution to a problem is often the worst one, the government cannot factor in all these unknowns and assumptions, excessive administration costs, fraudulent claims to the welfare system fundamentally it is difficult to reduce inequality due to the entrenched nature of intergenerational poverty friedrich hayek "it is difficult for an economy to mobilise if information is dispersed" back up your information claim argument inertia, habitual behaviour, computation error, moreover, it is relatively difficult to attach a monetary value to 'inequality' it compasses several broad composite measures "hdi"

i contractionary fiscal policy may start a deficit, whatever party gets voted in next, in wishing to reduce the deficit may evidently cut back on spending which would be counter-intuitive to this