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Class in the 21st century: Asset inflation and the new logic of inequality

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Abstract

What becomes of class when residential property prices in major cities around the world accrue more income in a year than the average wage worker? This paper investigates the dynamic of combined wage disinflation and asset price inflation as a key to understanding the growth of inequality in recent decades. Taking the city of Sydney, Australia, as exemplary of a dynamic that has unfolded across the Anglo-American economies, it explains how residential property was constructed as a financial asset and how government policies helped to generate the phenomenal house price inflation and unequal capital gains of recent years. Proceeding in close conversation with Thomas Piketty's work on inequality and recent sociological contributions to the question of class, we argue that employment and wage-based taxonomies of class are no longer adequate for understanding a process of stratification in which capital gains, capital income and intergenerational transfers are preeminent. We conclude the paper by outlining a new asset-based class taxonomy which we intend to specify further in subsequent work.

Keywords

House price inflation, asset inequality, capital gains, class, intergenerational transfers

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Introduction

The purpose of this paper is to outline the contours of a new understanding of class, one that is attuned to the way in which several decades of property inflation have generated new logics of inequality and stratification. Our point of departure is the simple, and largely uncontested, observation that the past decades have seen a dramatic growth of property prices in a context where wages have, by and large, stagnated. In advancing this idea, we are arguing that property inflation cannot be seen as just a speculative bubble, or a result of incoherent neoliberal policymaking, or a symptom of the failure to materialize a post-Fordist accumulation regime. It may be all those things in part, but it is also a structural feature of the current phase of capitalism and has been central to the production of a new social structure of class and stratification that is characterized by a logic of its own. The positive characteristics of that logic have received insufficient attention both in public debate and in the scholarly literature, and this paper takes some first steps towards remedying this.

When it comes to questions regarding assets and growing inequality, the work of Piketty has become a central point of reference. The central finding of his *Capital in the Twenty-First Century* (2014) is that the growth of capital and wealth, especially the wealth generated from assets, has in recent decades significantly outstripped the growth of the economy in general and of wages in particular. Piketty's work has sparked a large number of debates and has done more than any other book to bring the question of economic inequality back onto the scholarly agenda. But although it has brought renewed attention to the question of wealth inequality in particular, much of the more sociologically oriented literature has failed to take this into account and remains premised on the idea that class correlates primarily with work and employment. Too often, empirical observations about the growing role of wealth operate on top of a conceptual model of inequality that is still centred around employment-based categories such as wages and occupational status. In the present era, where mid-size homes in large Western cities often appreciate by far more in a given year than it is possible for middle-class wage earners to save from wages, such a continued focus on employment as the main determinant of class is increasingly untenable.

From a certain angle, the distance from an analysis of accelerating capital accumulation and growing inequality to a theorization of class and stratification would seem to be a short one. It is therefore useful to consider what it is about Piketty's framing of growing inequality that has prevented it from being translated more readily into a theory of class and stratification. Conceptually, it is significant that Piketty's work vacillates between two images of the shift that has fostered the growth of inequality. On the one hand, it relies on a theory of natural economic laws that display inherent tendencies to wealth accumulation and that can only ever be interrupted or slowed down from the outside. In so far as such a perspective is concerned with questions of policy and institutions, it tends to emphasize the *absence* of policy interventions that *might* have *redressed* trends of growing inequality; but his work is largely silent on the specific institutional mechanisms of policymaking and the way these have constructed qualitatively new patterns of capital accumulation. On the other hand, it emphasizes the ways in which large fortunes have captured the institutions of politics and governance, a plutocratic structure that blocks any attempts to reverse the inegalitarian effects of the logic of capital.

These images are of course not specific to Piketty's work, but mirror more general tendencies to attribute the trends of recent decades to economic or political logics, or a combination of them. Even when these factors are combined and articulated in sophisticated and complex ways, the result is often still an analysis that portrays developments of recent decades as a return to a more basic form of capitalism modelled on the experience of

19th-century liberalism – that is, capital as it operated before the innovations associated with the 20th-century welfare state and the way those effected an integration of the population into the capitalist system not simply by higher wages and full employment, but also through connecting them to mechanisms of saving, investment and asset-building. Of course, the observation that especially in Anglo-American countries the promotion of asset ownership was a key aspect of mid-20th-century capitalism is far from new; but its implications are insufficiently recognized when it comes to the analysis of class restructuring in the contemporary era – a connection that has become especially salient because many governments viewed asset inflation as a useful tool to mitigate the impact of stagnating wages. In other words, the fact that over the course of the 20th century large segments of the population have come to participate in dynamics of asset and home ownership means that the model of semi-automatic accumulation of rentier wealth in the hands of a small set of elites is of only limited use.

Connecting capital to class requires a more institution-based understanding of capital. Along such lines, Naidu (2017) has proposed a useful perspective on the way mainstream and critical themes intertwine in Piketty's work, distinguishing between a 'domesticated Piketty' and an underdeveloped 'wild Piketty' who becomes visible only at times. Domesticated Piketty relies on an understanding of capital on the neoclassical model, which sees capital as a fund of savings and is incapable of doing justice to the specific character of capital compared to other production factors. Wild Piketty develops close affinities with the definition of capital that has dominated the institutionalist tradition, which emphasizes both the political and legally constructed nature of property rights and the forward-looking, always partially speculative character of capital. From this perspective, capital is 'a forward-looking claim on future resources' (Naidu, 2017: 108). The ability to define and enforce property rights in order to secure income flows from assets is an issue that prominently involves legal, political and other institutions and the contestations that take place inside them. As Naidu points out, in this respect, the 'rise of housing wealth is uniquely interesting, as housing and land are intrinsically tied to particular policies and local politics' (Naidu, 2017: 120).

Housing plays an important, if largely unacknowledged, role in the story that Piketty tells. The widely publicized Rognlie (2015) paper noted this, and conservatively inclined commentators have seized on it to downplay the importance of Piketty's findings and to shift the conversation from the taxation of wealth to the way regulations create an artificial scarcity of real estate (e.g. DeVore, 2015). From the perspective of our analysis, however, acknowledging the role of housing allows us to bring out the real point of Piketty's analysis more fully (Guyer, 2015). In other words, the significance of Piketty's results resides *precisely* in the fact that so much of the growth of wealth has been due to the growth of house prices: it demonstrates the extent to which the current phase of capitalism does not represent a return to an era of old money, haute finance and aristocratic rentiers, but involves the structural reconfiguration of patterns of inequality in a context that has seen the rise of home ownership and the growth of asset ownership across numerous layers of the population. This opens up the possibility of a closer connection to the issue of class, one that is sensitive to the fact that the spread of asset ownership has created new, complex dynamics of stratification.

This is by no means to deny that other asset classes have also played a significant role in the growth of inequality. For instance, the role of stock holdings has already received extensive analysis (e.g. Nau, 2013), as have the paradoxical class positions that emerge when pension funds own stock in companies and so acquire an interest in the kind of restructuring strategies that typically are to the detriment of employees (Skerrett et al., 2017). By contrast, the

implications of the financial dynamics of housing and mortgage markets for our understanding of stratification have yet to be fully pursued. Nor is this simply a question of empirical scope: as an asset, housing works in a distinctive way that gives it a specific role in the creation of inequality. On the one hand, almost all households participate in the housing market as either renters or owners, and the wish to own a house is often not simply driven by financial considerations but equally by cultural influences and family considerations. On the other hand, switching from renting to buying is not nearly as easy as switching savings from a bank account to a mutual fund – instead, it requires a down payment and then leveraging that by taking on debt. The need for a lump-sum payment to break into the market means that intergenerational transfers of wealth come to play a central role and that the generational dimension shapes the logic of class in new ways – no longer limited to the inheritance of large fortunes but necessary also for people on relatively high wages who wish to break into an inaccessible property market.

By focusing on the role of property inflation, we seek to conceptualize a specific tendency that has produced a new reality of stratification – one that has been highly visible in our case study (Sydney, Australia). Recent data from the Australian Bureau of Statistics (ABS) clearly demonstrates that it is housing, more than any other asset class, which is driving both the dramatic increase in net wealth among high-income households and stagnant levels of net wealth among the poorest (ABS,2015–2016; Davidson et al., 2018: 59). We expect that the ideal-typical model of asset-based stratification that we generate on this basis will have relevance to a number of other cases. However, we make no strong claims about the extent of generalizability and emphasize that this should be the subject of further empirical research.

This paper analyses house price inflation as a complex institutional construction in order to trace its connections to the changing landscape of class. The paper proceeds as follows. The next section presents an overview of the general contours and consequences of several decades of property inflation in Sydney, Australia. We then account for these developments in terms of the policies adopted by successive Australian governments. The significance of this emphasis on the institutional construction of asset inflation should be seen against the background of the current state of class theory, which is the subject of the following section. We argue that, despite some selective incorporation of Bourdieusian notions of cultural and symbolic capital, as well as attempts at building class analyses intended to apprehend the mainstreaming of debt-fuelled and precarious lives, contemporary theories of class and stratification have yet to thoroughly incorporate the reality of 21st-century capital. In this section we propose a new analytical scheme to capture the specific effects of asset inflation on the structure of inequality.

Sydney: housing inflation without a housing crash

Australia has some of the most inflated residential dwelling prices in the world. According to the latest annual report by the research firm Demographia, Sydney now ranks as the second most unaffordable city in the world, after Hong Kong (Demographia, 2018). It is followed by Vancouver, San Jose, another Australian city – Melbourne, Los Angeles, Honolulu, San Francisco, Auckland and London. The report lists Australia's five biggest cities as 'severely unaffordable' on the basis of house price to income ratios. Unlike many of the other major cities listed in the report, dwelling prices in Australian cities such as Sydney and Melbourne continued to rise long after the global financial crisis and even as a construction boom in high-rise apartments was in full swing.

As in many cities across the Anglo-American world, the phenomenal upsurge in dwelling prices stands in stark contrast to stagnant wage growth, which has barely kept up with inflation over the same period. Between 1999 and 2019, wages grew by an annual average of 3.10%, while property prices grew by an annual average of 7.55% (ABS). This has led to a steady increase in the average house price to income ratio – with dwelling prices at nine times the median household income – and an unprecedented rise in household debt, with many more people continuing to hold mortgage debt into old age (Chau, 2018; Collett, 2018). These figures are all the more astonishing, given the very high levels of insecure employment among Australian households (Bryan and Rafferty, 2018: 51–72). Figure 1 plots the growth of wages against house prices, showing a progressive divergence between the two over the past decades.

It is important to appreciate the relatively sustained nature of property inflation. At different points in the past decades commentators have declared the collapse of the housing market, but this has yet to pass. The financial crisis of 2007–2008 was widely expected to put a stop to several decades of credit growth and real estate inflation, but failed to do so. Indeed, the rise in house prices has been particularly pronounced since then. Commentary on the state of the Sydney housing market has often assumed the form of 'what goes up, must come down'. And it is true that in an important sense rising real estate valuations are purely speculative – that is, heavily bound up not with a sense of 'fundamentals' but with what people think others will be willing to pay for it in the future. In other cases, such as a rising stock market, things are more complex because the degree to which the nature of underlying assets is itself changing is often highly unclear as they are undergoing rapid innovation. In the case of real estate, it is apparent that the underlying asset isn't changing much – that is to say, there is little innovation taking place in the property industry, and as a consequence it is very apparent to buyers themselves that their purchases are speculative, that is bound up not with any beliefs about true underlying values but about the future of market sentiment. And yet, despite this element of 'transparency' (which one might expect would amplify even minor shocks into full-blown meltdowns), property markets in large urban centres have been remarkably resilient.

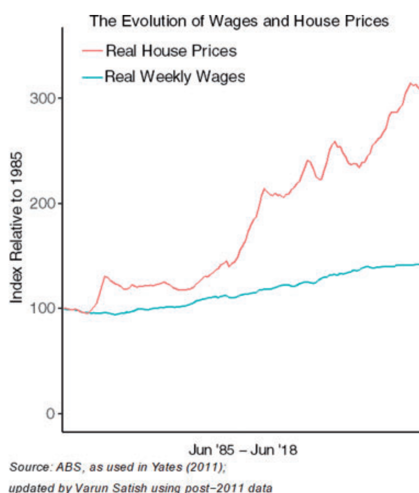

Figure 1. The evolution of wages and house prices.
Source: ABS, as used in Yates (2011); updated by Varun Satish using post-2011 data.

This suggests that an upward momentum has been built into the market – that property inflation is not simply an effect of 'the market' or volatile market sentiment, but equally a product of the way in which public policies have constructed a particular 'logic' of asset inflation that is anchored in a particular institutional configuration of path-dependent public policymaking and widely perceived as such. This is the case not just in the sense that public policies encourage home ownership, but also in the more specific sense that they do so by providing asset owners with benefits and protection from risk that effectively work to put a floor under the market (i.e. prevent market slumps from developing into meltdowns). Even though downturns in the property market do occur, they often resemble momentary setbacks or brief pauses rather than the kind of housing crashes that are anticipated. In the next section we will analyse in more detail the series of policy shifts that have constructed this institutional edifice.

These points have particular relevance in the current conjuncture: in 2018 Sydney property prices, after several years of rapid growth, stopped growing and prices began to decline. Key in producing this turnaround have been the restriction on property ownership by overseas investors, regulatory restrictions on interest-only loans (popular among investors) and an official enquiry into the (mal)practices of banks, in response to which banks have pre-emptively restricted their lending. Currently, many commentators are trying to predict how long this will last and what the extent of the downturn will be, but tellingly no serious commentators are projecting the kind of wholesale deflation that would be required to return the relationship between wages and property prices to early postwar levels. Nor is it unambiguously the case that a more significant decline would really resolve some of the most pressing policy problems. Although it would bring home ownership in reach for some people who are currently locked out of the market, the loss of wealth would put a huge strain on economic growth due to the restrictions on demand. In addition, it would produce a great deal of discontent among mortgagors and homeowners that would need to be addressed in some way or other. Rising house prices are the single greatest source of investment and consumer demand in the Australian economy and housing debt is the most common form of liability on the balance sheets of banks. The spectre of excessive deflation is why authorities have been quick to reassure the public that if there is a chance of more than a healthy correction, they will step in to relax restrictions on mortgage lending and be ready to lower interest rates.

How did we get here? The institutional construction of asset inflation

This section analyses the phenomenal rise in house prices during the last four decades as the result of economic and political strategies that have actively contributed to the long-term moderation of wages and simultaneous inflation of asset prices (Palley, 2012: 32–56). As wages have stagnated and consumer credit has become more abundant, the Anglo-American economies in particular have looked to housing as an alternative source of welfare, one based on the expectation of ever-rising asset prices rather than income from labour. Several studies have outlined the ways in which the combined instruments of monetary and fiscal policy have contributed to house price appreciation in countries outside of Australia. These studies variously point to the importance of asset-based welfare policies, the selling off of public housing, the liberalization of consumer credit and the securitization of mortgages as important factors in the supercharging of the housing market (Aalbers, 2016; Rolnik, 2013; Schwartz and Seabrooke, 2008). All of these factors were in play in creating the house price inflation evident in Sydney and other major cities in Australia. However, there are a number of distinct features to the Australian history of labour and

wage struggles, on the one hand, and housing, on the other, that help to account for the extremity and longevity of its house price boom.

While it is clear that Australia, like other Anglo-American economies, moved towards a new accumulation regime involving a trade-off between wage and asset inflation after the stagflation crisis of the 1970s, the solidification of this new regime occurred some 10 years later than it did in the US and UK and had the distinct feature of being negotiated by the Australian Labor Party (ALP) in alliance with the trade unions. As noted by Pierson and Castles (2002), the Australian experience of 'neoliberalism' was unique, at least with respect to its Anglo-American and Commonwealth counterparts, in that it was initiated by 'third way' social democrats before it took a distinctly right-wing turn in the mid-1990s under the leadership of John Howard. In this respect, the historical trajectory was the reverse of that in Britain and the United States, but similar to the experience of France and Italy.

When the ALP came to power in 1983, it was with the promise that it would put an end to the problem of combined unemployment and wage-push inflation that its conservative predecessors had repeatedly tried and failed to resolve. Paradoxically, then, the wage moderation which in other countries appeared to take the explicit and often violent form of an attack on union power, in Australia was ushered in with the full consent of the Australian Council of Trade Unions (ACTU) (Humphrys, 2019; Humphrys and Cahill, 2017). The first iteration of the Prices and Incomes Accord (henceforth, 'the Accord') was negotiated between the ALP and the ACTU in 1985 and went through multiple revisions up until 1996, when the ALP lost power. As part of the initial round of negotiations, the trade unions agreed to abandon the 'excessive claims' of the 1970s by indexing all wage claims to the consumer price index; in exchange, they were promised progressive tax reform and a government guarantee to increase the social wage, in the form of government-provided health care or 'Medicare'.

A separate clause in the 1985 Accord stipulated that employers should be required to pay an equivalent contribution into employees' individual accounts in nominated superannuation funds rather than a pay rise of 3% (Gruen and Soding, 2011: 4–5). At first confined to the awards system, this innovation was later generalized with the introduction of the Superannuation Guarantee Levy in 1992, which enshrined compulsory superannuation contributions in federal legislation. This was envisaged by Treasurer Paul Keating as a way of weaning workers off the aged pension and sold as part of the 'social wage' trade-off for 'wage restraint'. In fact, access to superannuation had little to do with the social wage as such and more to do with the *socialization of capital gains from potential asset price rises*. The trade-off can be seen as part of a broader, international movement away from defined benefit to defined contribution pension plans that wagered on continuous appreciation of asset prices in the equity markets to guarantee above-average returns to workers (Blackburn, 2002). What was being offered here was a buy-in to the asset price appreciation that was expected as a consequence of wage moderation and financial liberalization. Workers were to be compensated for stagnant returns from labour with the promise that they too could participate in the returns from financial assets.

At first, the ALP really did seem to pull off the impossible in reconciling the multiple aims of wage moderation, social wage expansion, financial liberalization and a larger profit share for business (Bell and Keating, 2018: 59–60). However, this precarious balancing act became more difficult to sustain as time went on and the terms of the Accord became increasingly skewed towards the interests of asset holders as the decade progressed. Although the ALP had originally sought to offset wage moderation with both an increase in the social wage and democratization of asset ownership, a few years into his first term, Prime Minister Bob Hawke was already putting the brakes on public spending. In the midst of a

balance-of-payments crisis and a precipitous fall in the exchange rate, the Hawke government embarked on a policy of sustained fiscal consolidation, slashing outlays by more than 5% between 1985 and 1989 (Brenton, 2016: 48). For the most part, these savings were achieved by sacrificing the scope of the social wage, that is, by implementing stricter eligibility criteria for social assistance programmes, increasing user charges for government services and offering less generous assistance to the states, who in turn transferred these cuts to social services (Bell and Keating, 2018: 64). At the same time, the wage moderation pressures exerted by the Accord also became stronger as the decade progressed. Increasingly, wage claims were tied to productivity measures in the hope that this would discourage the kind of wage-push inflation seen in the 1970s.

Meanwhile, asset prices were booming thanks to the financial market deregulation of the early 1980s and the subsequent drive by banks to compete for market share in consumer and corporate credit (Berry and Dalton, 2004: 76–77). During this period, median share prices increased more spectacularly than house prices, although both saw impressive gains (median house and share prices increased by 133% and 219% respectively between 1982 and 1989) (Bell and Keating, 2018: 65).

When, in 1991, the Reserve Bank of Australia (RBA) finally made a move to soften the share price boom by raising short-term interest rates, the Labor Prime Minister Paul Keating made use of the recession to put a final break on wage-push inflation rather than (in the long run) asset price inflation. Invoking the need to 'snap the stick of inflation', Keating referred to high unemployment rates as the 'recession we had to have' (Bell, 2004: 58–79). This in fact was Australia's answer to the Volcker shock – an opportunistic over-response to the stock price boom that was designed to break the back of the union movement and install permanently low (consumer price) inflation rates as the new horizon of monetary policy. In the midst of the recession, a more radical measure to keep a lid on wage inflation was introduced: centralized wage bargaining was gradually phased out in favour of enterprise wage bargaining, an institutional measure that greatly undermined the negotiating powers of the trade unions (Bell and Keating, 2018: 63). The RBA lent its hand to the task by adopting a strategy of active pre-emption with regard to any sign of wage-push inflation (Bell and Keating, 2018: 65–66). The new monetary orthodoxy of central bank independence and inflation-targeting was steadily gaining ground around the world (Pixley et al., 2013). Implicit in this formula, though rarely acknowledged or analysed as such, was the idea that consumer price inflation, as the translation of surging wages and powerful trade unions, was to be suppressed at any cost. Although asset prices had provided the immediate pretext for Keating's recession, they were not in the long term the target of central bank moderation strategies. Instead, as noted by Charles Goodhart (2001), central banks since the 1980s have adopted a strategy of benign neglect vis-à-vis asset price inflation at the same time as they have doggedly pursued the task of wage suppression via the selective targeting of the consumer price index.

By the early 1990s, then, the terms of the Accord had morphed into something very different from what was envisaged at the outset. The promise of an expanded social wage was now marginalized in favour of fiscal austerity and outright wage suppression. What remained was the promise of worker participation in the 'wealth effect' of asset price inflation. Housing formed a significant component of this wealth effect and the ALP was not averse to promoting it in these terms. It was, after all, the Hawke–Keating government that first began dismantling Whitlam's public housing legacy when it moved to replace low-rent government housing with rental assistance in the private sector (Howe, 2009). And it was Keating who reluctantly reintroduced negative gearing, a formidable tax incentive to housing investment, under pressure from the real estate lobby in 1987. Nevertheless, Keating

remained ambivalent about 'asset-based welfare' through housing, a policy model that in his eyes was too closely associated with the Liberal Party strategy of the 1950s, when Prime Minister Robert Menzies had sought to create a stable conservative voting base through the expansion of home ownership. Much more congenial to Keating was the idea that workers might be seduced into the world of pension fund capitalism via their superannuation accounts and soaring stock prices (Kelly, 2011: 144). By contrast, John Howard, who had been an active exponent of Menzies' conservative home ownership strategy in the 1960s, was much more attuned to the possibilities of housing as a financial asset (Eslake, 2013: 7–8; Quiggin, 2004: 186). The idea that housing should form a fourth pillar of welfare was longstanding within the Australian political tradition, but under Howard's prime ministership its role changed dramatically from a consumption good and passive store of wealth into a source of financial collateral and generator of capital gains (Yates, 2011). The 'wealth effect' of housing was now promoted as an outright alternative to the wage-earner's welfare state of the post-Second World War era.

As theorized most notably by Federal Reserve Chairman Alan Greenspan, the so-called 'wealth effect' could be understood as a serendipitous outcome of the successful war against (consumer price and wage) inflation: as consumer prices and wages flattened across the Anglo-American economies, bond holders no longer demanded the inflation premium that had hitherto driven up interest rates (Woodward, 1994: 228–230). The result of this new low-interest rate environment was historically cheap consumer credit and a steady rise in household debt, as workers found they could compensate for stagnant wages by borrowing their way into asset ownership (Select Committee on Housing Affordability in Australia, 2008: 54). Income from assets was now being reconceptualized as a more plausible route to economic security than income from labour. This shift is reflected in the sharp divergence between consumer price inflation and house prices which occurred in the early 1990s: throughout the 1980s, house prices were certainly rising dramatically, but this growth was in line with high consumer price inflation. From the 1990s onwards, however, house price (or asset) inflation increased to 7.2% against a background of historically low consumer price inflation (Kohler and van der Merwe, 2015: 21–22).

In Australia, as elsewhere, the turn to the housing 'wealth effect' was aided and abetted by the further liberalization of housing credit that took place in the mid-1990s, as wholesale lenders entered the Australian market allowing mortgage brokers to originate high-risk loans without funding them, via recourse to mortgage-backed securities (Select Committee on Housing Affordability in Australia, 2008: 56–58; Yates, 2014: 363–367). As lenders competed for market share and found ever more ingenious ways to offload risk, they became much more willing to 'move out the risk spectrum by loosening their credit standards' (Laker, 2007: 1). The effect of consumer competition for housing was to steadily bid up housing prices, creating a positive feedback loop between the value of collateral and debt-to-income ratios, such that lenders were assured that they could always recuperate the value of any losses by reclaiming collateral. Historical data on the trajectory of house prices from the 1990s onwards demonstrates a close correlation between consumer access to mortgage credit and house price inflation (a recent tightening of credit conditions, by contrast, has proven the same relationship in reverse, by inducing an unexpected decline in house prices) (Lowe, 2017: 2).

Beyond the liberalization of credit, however, the transformation of the home into a financial asset could not have occurred without the help of exceptional tax incentives. To begin with, the house as primary residence is entirely exempt from capital gains tax, and Australians who wish to access their pension do not need to declare their house as part of their assets, despite extraordinary house price rises in recent years. But it is Australia's tax

incentives to housing investment (over and above home ownership) which are truly extraordinary by international standards. The first of these incentives, so-called negative gearing, allows investors in a loss-generating asset to claim their losses against all other forms of income. For example, if a house purchased as an investment generates less in terms of rent than the interest payments due on the mortgage, the investor can offset these losses as tax deductions. Negative gearing works best when credit to rent ratios are extreme and thereby serves as an active incentive to levels of leverage that may have looked exorbitant by earlier credit standards (Daley, Wood and Parsonage, 2016: 21 and 24). Importantly, it is also of most benefit to high-income wage- and salary-earners. In most countries, investment losses can only be claimed against income on other investments. Australia is one of the few countries in which losses can be claimed against *any* source of income, including income from labour, making negative gearing a lucrative tax shelter for wage- and salary-earners on a high marginal tax rate (Daley, Wood and Parsonage, 2016: 20). Thus, in a context in which government policy is otherwise actively seeking to moderate wages, negative gearing has allowed high earners and investors to exempt themselves from progressive taxation – an innovation that might go some way to explaining the phenomenal surge in earnings at the upper end of the income scale (Atkinson and Leigh, 2007; Katic and Leigh, 2016).

Ultimately, however, it was Howard's sweeping cuts to capital gains tax that have proven to be the most significant incentive to housing investment. Inspired by the work of American supply-sider Alan Reynolds, who had been commissioned by the Australian Stock Exchange to report on incentives to investment, Howard introduced changes to capital gains tax in 1999 which meant that investments held for at least 12 months should be taxed at half the usual rate (Review of Business Taxation, 1999; Reynolds, 1999; *Sydney Morning Herald*, 2004). The reform was sold as an incentive to stock market investment and innovation, but served, more prosaically, as a phenomenal boost to the market in housing investment in Australia (Quiggin, 2004: 186). According to the RBA, between January 2001 and July 2002, mortgage lending to investors increased by 113% compared to only 48% for owner-occupiers (RBA, 2002). Housing was now an investors' market and first-home buyers were increasingly finding themselves outpriced (Berry and Dalton, 2004: 75–76).

It was Howard's decision to introduce preferential tax treatment for capital gains that turned negative gearing into a permanent tax haven for investors in housing. Until Howard's tax reforms, negative gearing only allowed investors to postpone their income tax burden to the moment of sale, when they would become fully liable for the capital gains tax, calculated at an individual's highest marginal tax rate. But when Howard halved the capital gains tax for investments, negative gearing became much more attractive since it was no longer simply a means of deferring income taxes but of *permanently* reducing them (Eslake, 2013: 9). In fact, as pointed out by Daley, Wood and Parsonage (2016: 16), the combined effect of these tax incentives is to allow investors to *convert income from labour into income from capital* at will – and thus to halve their marginal tax rates.

Distributional consequences of asset inflation

It should be clear from this detailed overview how changes to the tax system, adopted reluctantly by Hawke and Keating, then strategically supplemented under Howard, have actively contributed to the process of combined wage moderation and asset price inflation in Australia. The degree to which this new dispensation has favoured investors in particular is evident from the changing distribution of mortgage lending. Between 1990 and 2005, credit for owner-occupiers grew by an impressive 642%, but over the same period credit for investors grew by a massive 2184% (calculated from ABS D2 Lending and Credit

Aggregates).[1] In 2015–2016, the proportion of overall mortgage credit going to landlord investors stood at 35% Australia-wide – about three times higher than the USA, UK and Canada – and a phenomenal 50% of the Sydney market (Watermark Funds Management, 2017: 4). Of all apartments in Sydney, 49.6% are owned by investors (CoreLogic, 2016: 18) and in central areas of the city this percentage is often far higher (CoreLogic, 2016: 19).

In contrast to most other countries, amateur investors (rather than large institutional investors or public housing trusts) play a central role in Australia's housing market.[2] Although popularly referred to as 'mum and dad' investors by politicians keen to justify their continued support for house price inflation, analysis of census data suggests that most of these investors belong to the top two income quintiles and are typically either high-income-earning, middle-aged men or small family partnerships hoping to capitalize on housing assets as a sort of family wealth fund (Dungey et al., 2018; RBA, 2015: 22; Yanotti, 2017). It is these players in the housing market who are able to take out the largest loans (due to the value of their collateral), and consequently it is they who have set the bar for property prices over the last few decades (Kusher, 2017: Watermark Funds Management, 2017).

It is important to recognize that the growth of property investment does not simply promote the accumulation of wealth but introduces a skewed distribution within the income scale itself. Tax incentives on investment not only serve to inflate house prices relative to wages, they also create a positive feedback loop between high earnings and income from capital gains. Put simply, those who are most likely to benefit from the wealth effect of asset price inflation are also those who earn the highest wages or salaries (Grudnoff, 2015). For the tax year running from mid-2014 to mid-2015, Grudnoff reports a highly unequal distribution for the benefits associated with negative gearing: 34.1% of total negative gearing benefits went to the 10% of household incomes; 62.2% went to the top 30% (Grudnoff, 2015: 5). The benefits associated with the capital gains tax discount are distributed even more unequally: 73.2% of total capital gains tax benefits went to the top 10% of household incomes (Grudnoff, 2015: 5). Even these figures, however, underestimate the true wealth-generating effects of asset appreciation in as much as they only register capital gains at the moment of sale and thereby exclude the impact of unrealized capital gains (as pointed out by Robbins (2018), the tax datasets used by Piketty and Saez suffer precisely from this limitation). A hidden leveraging effect is provided by the simple appreciation of asset prices, which may greatly inflate the imputed value of an investor's collateral and hence allow easier access to credit and a tremendous accumulation of new wealth without ever appearing in the tax data. Although entirely 'virtual' and prone to volatility, the market valuation of capital gains generates powerful leverage effects that can generate real and long-lasting increases in wealth.

The cumulative effect of government incentives over the past few decades has been to facilitate the debt-plus-equity pathway to asset purchase at the expense of the work-savings route that prevailed in the immediate postwar era, where mortgage repayments were set at 30% of a 'breadwinner's' wages (Yates, 2014: 365). The situation openly favours the owner-investor at the expense of the wage-earner and prospective first-time purchaser. It is simply much easier to accumulate housing assets when you already own a house that is subject to rapid price appreciation: wealth begets wealth. With investors setting the bar, first-home buyers have had to take on rising levels of debt simply to remain in the game. But the effect of this competitive spiral has been to push house prices even further out of reach.

These trends have a pronounced generational dimension, leading many to assume that the problem is essentially one of intergenerational injustice (Daley and Wood, 2014). But this ignores the fact that capital gains are spread unevenly among the baby-boomer

generation and that the adult children of the wealthiest baby boomers are likely to benefit from these capital gains in the form of intergenerational transfers (Christophers, 2018). What distinguishes successive generations, then, is less a difference in absolute wealth holdings than a difference in modes of access to wealth: while older 'baby-boomer' generations were in a better position to buy property through wages alone, this option has become less accessible to younger generations who are increasingly dependent on the ability and willingness of their parents to lend or give them money for a deposit in order to enter the housing market (Simon and Stone, 2017: 23). This is confirmed by analysis of Australian Census and HILDA (Household Income and Labour Dynamics in Australia) data, which reveal that young adults who are competing against each other and investors to make a first-home purchase are significantly more likely to purchase a dwelling (and a dwelling of higher relative value) if they receive financial help from their parents (Barrett et al., 2015). Kohler reports a dramatic increase in the reliance on parental support for the purpose of purchasing a home, and the sum total of these commitments would make the 'Bank of Mum and Dad' a mid-size home lender, smaller than ING but larger than HSBC (Kohler, 2018). There is growing evidence that parents are not only engaging in direct forms of support to adult children, but also taking on debt or guaranteeing loans to support them (Yeates, 2016). In short, social mobility is increasingly associated with the asset position of parents not only for the super-rich (cf. Gilding, 2005) but also for ordinary households.

The decades of sustained property inflation have thus had a major impact on the distribution of wealth in Australian society. Figure 2 shows that during the period 2003–2011 the highest quintiles have experienced far greater increases in wealth than lower ones. These consequences were perhaps not so visible in the 1980s or 1990s, when for substantial parts of the population capital gains compensated for stagnating wages and house price inflation catapulted many working class (that is, lower-income but home-owning) households into a higher wealth bracket. Some of these households may well have permanently changed their class profile, especially if they went on to purchase an investment property. But the very logic of this dynamic means that it is increasingly difficult to access for newcomers. As wages have continued to moderate, existing wealth inequalities are being consolidated and

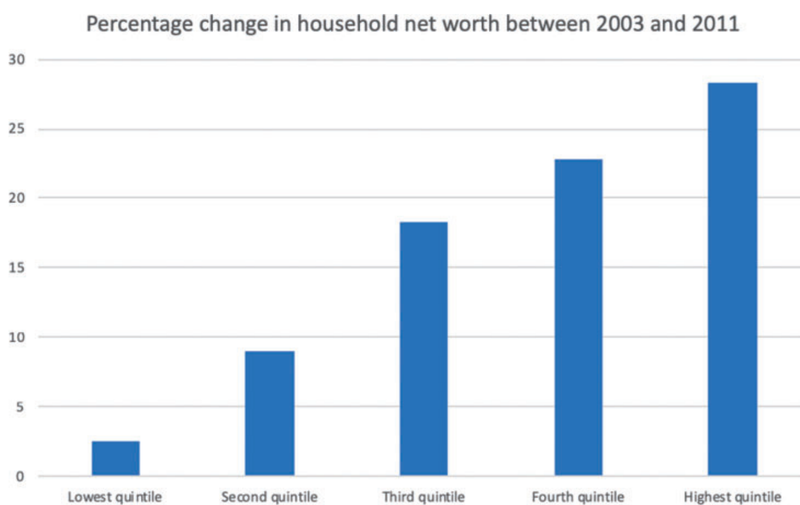

Figure 2. Percentage change in household net worth between 2003 and 2011.
Source: Australian Bureau of Statistics (2013), Household wealth and wealth distribution, Australia, 2011–2012.

accentuated. We have moved, then, from a brief period of wealth democratization to a period of lock-in, where social opportunities are becoming heavily dependent on family wealth. Taken together, these trends open up the possibility that, if current policy conditions remain the same, access to housing wealth will become more concentrated with time.

Growing segments of the population are now finding themselves locked out of the property market (La Cava et al., 2017). Ownership as a percentage of the total Australian population has declined over the past 20 years – from 71.4% in 1994–1995 to 67.5% in 2015–2016 (ABS, 2015–2016), showing that many of the policies that were presented as measures to promote more widespread home ownership have in fact arrested and reversed the growth of home ownership. Furthermore, the composition of ownership is changing away from outright ownership towards mortgage-based ownership, reflecting the growing cost and duration of mortgages. These trends are depicted in Figure 3, which shows that in about two decades the percentage of owners without a mortgage fell from 41.8% to 30.4% of the Australian population. The decline of home ownership is most pronounced among young people. Whereas in 1981 61% of Australians aged 25–34 owned a home, by 2016 this had dropped to 44%; for the age group 35–44, the decline was similar, from 74% to 62%. Only Australians older than 55 had similar rates of home ownership in 2016 as they did in 1981 (Wiltshire and Wood, 2017).

This means that a growing number of Australians are becoming lifetime renters and many more of them are finding that their wage incomes are being eroded by rising rents. The ABS reports that between 1994–1995 and 2013–2014, private renters experienced a 62% increase in average weekly rental costs, after adjustment for inflation (ABS, 2015). These figures are likely to be much higher for cities such as Sydney and Melbourne, where low-cost rentals are becoming a vanishingly small component of the overall housing market. The ABS also reports a significant increase in homelessness across the nation over the same period, with rising rental costs and financial problems accounting for 14% and 13% of new cases respectively (ABS, 2014). Again, the figures are catastrophic for Sydney in particular. The Australian Homelessness Monitor found that the number of homeless people increased

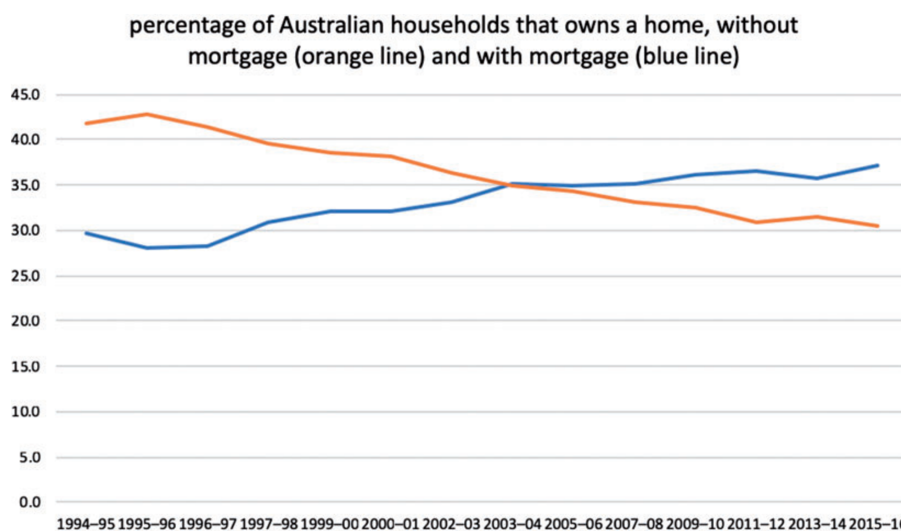

Figure 3. Percentage of Australian households that owns a home, without mortgage (orange line) and with mortgage (blue line).
Source: ABS, Housing occupancy and costs, Australia, 2015–16, table 1.

more than three times the national average in Sydney in five years of rapid house price inflation between 2011 and 2016 (Launch Housing, 2018: 6).

Average wage earners who, three or four decades ago, may have been able to enter the housing market by saving up for a deposit, are now increasingly reliant on intergenerational transfers to make their first leap into home ownership. To this we should add the fact that even the possibility of pursuing a tertiary education or the now compulsory unpaid internship very often requires monetary or in-kind support from parents in the form of rental assistance or rent-free shared housing (Oliver et al., 2016). Not only does housing wealth beget housing wealth, progressively narrowing the pool of those able to enter the housing market; it also increasingly determines one's educational opportunities and hence one's future earning potential and professional status. In such an environment, class can no longer realistically be identified as a simple function of wages from labour (working, middle and upper class) or professional status (blue collar, white collar, pink collar), and must instead be rethought in terms of asset ownership and intergenerational transfers.

Rethinking class theory

The significance of our argument about the importance of asset ownership for an understanding of class needs to be gauged against the fact that class has conventionally been understood first and foremost with reference to work and employment. From the 1970s onwards, both broadly Marxist and broadly Weberian perspectives have elaborated this basic idea in detailed ways.

Marxist and neo-Marxist analyses have focused on the antagonistic relationship between owners/employers (including the bourgeoisie, small employers and the petty bourgeoisie) and waged workers/employees, as well as on the ambiguity associated with the self-employed and the managerial and supervisory occupations that expanded in the post-Second World War era. US sociologist Erik Olin Wright, for example, proposed a 6-point (1978, 1979), and then a revised 12-point (1985, 1997, 1998), class scheme. In his 12-point scheme, class positions ranged from the bourgeoisie at one end to the proletariat at the other, with 10 intermediate classes. Wright understood these intermediate classes as sitting in a complex set of relations to each other and, in the context of the growth of white-collar jobs, included semi-credentialed workers, uncredentialed supervisors, expert managers and small employers. Despite this complexity, at its core positions in Wright's scheme depended on relationships to the means of production, and especially the abilities of classes relative to each other to extract surplus value from labour.

While Marxist and neo-Marxist class schemes focused on the antagonism between employers and employees, the model of class developed in the postwar period that has unambiguously been the most influential has been the functionalist scheme developed by John Goldthorpe and colleagues at Nuffield College, Oxford. This scheme – sometimes referred to as the Nuffield class schema – rejects the emphasis on the antagonistic owner–worker dynamic found in classifications such as Wright's, and instead emphasizes processes of the differentiation of labour in advanced industrial societies (see, e.g. Goldthorpe and Marshall, 1992). This differentiation (especially that relating to the emergence and diversification of administrative and managerial functions) is understood to be the outcome of the complexities and bureaucratization inherent to advanced industrial societies. For Goldthorpe and his colleagues, such processes – including the transformations of property into corporate forms and the bureaucratization of labour and organizations – produce a class structure whereby the social position of actors is constituted in employment relations – that is, in their occupational position.[3]

In large part because of its functionalism and scientism, and in providing a class scheme that could be effectively operationalized by using measures of occupational and employment positions (see Savage, 2016), the Nuffield class schema has been the most successful and influential classificatory class scheme (see Crompton, 2008; Savage et al., 2013). Most notably, in 2000 it became the UK government's official measure of class in the form of the National Statistics Socio-Economic Classification (NS-SEC). In addition, a Europe-wide classification – the European Socio-economic Classification (ESeC) – based on the Nuffield schema has recently been initiated (Rose and Harrison, 2011). As this suggests, one of the key virtues of the schema is that its operationalization has allowed the generation of comparable datasets across different national domains. Such comparisons were previously not possible given the predominance of nationally specific class measurement schemes.

In their writings, Goldthorpe and his colleagues were at pains to highlight the difference between the Nuffield schema and its Marxist and post-Marxist counterparts (see, e.g. Goldthorpe and Marshall, 1992). It is, however, critical to register that the competing schemes shared in common the view that class positions were embedded in the division of labour, and especially in the occupational structure. The two competing approaches therefore shared in common the view that work, employment and the employment relationship were the key drivers in the constitution of class positions. Indeed, this view remains social science orthodoxy (see, e.g. Connelly et al., 2016; Lambert and Bihagen, 2014; McGovern et al., 2007). This is the case despite the fact that the significance of employment and employment relations in the constitution of inequalities has been actively eclipsed by the rise of the significance of asset ownership and intergenerational transfers in shaping class positions. Despite their orthodox status, employment and occupationally based class schemes therefore appear as anachronistic and unable to come to grips with the present-day realities of asset-led inequality and the institutional dynamics that have organized such inequality.

This is not to say that this orthodoxy has gone unchallenged. One of the more significant developments in class theory to have strained against employment-based class schemes was the reconsideration and broadening of the term 'capital' in sociological theory under the influence of Bourdieu's work and the role these various forms of (economic, cultural and social) capital played in the constitution of class. Initially anchored in qualitative studies (see, e.g. Reay, 1998; Skeggs, 1997), larger scale and national survey-based studies emerged that were designed to consider how stocks of different capital interact to produce class positions (see, e.g. Bennett et al., 1999; Lamont, 1992). The Cultural Capital and Social Exclusion project in the UK, for example, designed by Mike Savage and colleagues, explored the social, cultural and economic dimensions of class, and involved a national sample survey (Bennett et al., 2009). It found that while clear class boundaries in the structure of cultural tastes existed, 'key class boundaries were not the same as those identified in the Nuffield class schema' (Savage, 2016: 68). As Savage put it, these findings 'opened the way for Bourdieusian perspectives to more directly engage with Goldthorpe's models of class' (Savage, 2016: 68). They led, for example, to the high-profile Great British Class Survey (GBCS), which developed a new model of class for contemporary Britain (Savage et al., 2013, 2015).[4] This survey established a seven-point class scheme (from the elite to the precariat) in which class positions are grounded not only in occupations but in economic capital more broadly stated (including household income, household savings and house price) as well as in cultural and social capital. The key finding of this survey was that the British class structure had changed such that the conventional fixation on the boundary between middle and working classes in class analysis 'should be replaced by a greater focus

on the elite at the top of the social structure, the precariat at the bottom, and a more complex range of classes in the middle ranges' (Savage, 2016: 68).

While the opening up of the role of capital in the GBCS to include assets is certainly to be welcomed, there is a sense it which it is too little too late.[5] It is not able to do justice to the significance of asset holdings in shaping class positions, in part because of the continued strength of the assumption that class status is determined in the last instance by employment position and in part because of the ways in which a continuing fixation on the role of symbolic and cultural forms of capital (at the expense of attention to economic and financial capital) has blunted the critical edge of this move.[6] Thus, although the GBCS attends to house value and total household income over and above wages, it nonetheless fails to distinguish between sources of income (income from labour or wages versus income from assets such as rents, dividends, interest and capital gains), and asset ownership does not operate as a key variable in the final list of class categories. This has the effect of obscuring the growing relative importance of asset ownership in shaping class positions and determining the source of one's income (wage income versus capital income). Importantly, our data on the Australian housing market demonstrate that the wealthiest housing market investors are also those who are most likely to receive tax-preferenced investor income, in the form of capital gains. Moreover, the focus of these studies on the aggregate level of the household is not fine-grained enough to tell us how decisions are made with regard to intergenerational transfers, loans and bequests. (This is a point recognized by the authors themselves – see Savage et al., 2013: 243.)

To the extent that the field of class analysis has seen the emergence of significant challenges to such frameworks, this has come from authors operating within the traditions of political philosophy and heterodox political economy. Such analyses are less concerned with and restricted by orthodox social science stratification debates and more interested in capturing the stratifying consequences of long-run economic developments. The emergence of indebtedness as a necessity and a norm (to access housing, healthcare and education) has, for instance, provoked analyses focusing on the credit–debt relation (see, e.g. Graeber, 2011; Lazzarato, 2011; Soederberg, 2014). These analyses posit that since the majority need access to credit and creditworthiness in order to live, the power of creditors (financial institutions and financial elites) has become elevated such that the asymmetrical creditor–debtor relation has become a constitutive and generalized social relation, one that is lived and structured as a class relation. This class relation is understood to be evident in how the necessity of debt directly benefits creditors, not least in extended opportunities to extract profits from the bearers of debt, especially in the form of interest payments on loans, mortgages and other forms of contracted debt. In turn, the indebted find themselves exploited and governed by their creditors.

While such analyses have a certain cultural valence, they nonetheless mistake the asset economy for a credit–debt economy. They fail to recognize that indebtedness is very often a necessary condition of asset holding including, for instance, that most household debt is mortgage debt held by owner-investors against residential property as a financial asset. They also fail to recognize that the value of assets on which mortgages and loans are held often outstrips that of any contracted payments on those assets, and that (for the asset-rich) debt holdings against investments can be packaged as losses for the purposes of capital gains. Analyses of the dynamics of credit and debt as the pivot of class relations therefore fail to take into account the dynamics and significance of sustained and institutionally organized asset price inflation. As a consequence, such analyses produce an overly bifurcated and simplistic model of class that sidesteps and obscures the stratifying effects of asset ownership in terms of the distribution of wealth and of life chances.

Guy Standing (2011) has edged closer to recognizing the stratifying significance of asset ownership by pointing to a growing differentiation between a precariat class who live off casual and short-term labour contracts and a rentier class who live off the income flows from financial assets.[7] Although this approach has the merit of foregrounding the role of assets in shaping class positions, as with analyses of the credit–debt relation, Standing's taxonomy of class is too dichotomous and fails to account for the fact that significant proportions of the population have been included in the asset economy via their access to superannuation and mortgage finance. As we have argued in this paper, important class differences exist *within* the population of asset holders, with owner-occupiers distinct from owners of investment properties and outright owners distinct from prospective, indebted owners. In other words, to the extent that existing class models have been challenged, it takes the form of what we referred to earlier as the supplementation of such models with an emphasis on the growth of rentier wealth concentrated in the very top echelons of society (see Atkinson et al., 2017). Savage (2014: 603), for example, has commented that '[the] fundamental point which Piketty's class analysis leads to ... is the need to focus on the very wealthy, and how far this group might indeed be crystallizing as a class'. A focus only on the very wealthy, however, fails to grasp how large proportions of the population are included in the asset economy, how asset inflation is a long-term political project and how class differences exist within the population of asset holders. It obfuscates just how profound the effects of the asset economy have been in reshaping the social structure.

To capture this reshaping, it is possible to propose a class scheme analogous to the Marxist and Weberian schemes, but which captures asset ownership (rather than place in the division of labour and/or stocks of cultural capital) as the key distributor and driver of life chances. In Figure 4 we offer such a scheme. Based on the data we have presented in this paper for the Australian case, especially the distributional dynamics we have highlighted in regard to wealth distribution and wage moderation, this is an inductive as well as heuristic scheme. Our scheme differentiates five classes defined by their relationships to asset ownership, and especially to property ownership: from investors who live off the income generated from portfolios of assets through to non-asset owning classes (renters and the homeless). The scheme therefore captures the stratifying effects of asset ownership and property inflation. While the scheme is classificatory (whereby different relationships to asset ownership define class positions), it also recognizes that these classes exist in relation to one another. Positions in the asset-based class scheme therefore concern the abilities of classes relative to each other to own assets and to benefit from asset holdings. These abilities are, however, not constituted by certain classes appropriating those abilities or capacities from others. Certainly, there are significant elements of relationality. Renters who are dependent on income from labour, for example, are likely to be servicing the mortgages of landlord investors and hence providing the conditions of possibility for investors to enhance their asset holdings and asset-based capital gains. But it is critical to recognize, as we have stressed throughout this paper, that these capacities and abilities, and hence asset-based class positions, have been constituted and distributed institutionally via the twin processes of asset price inflation and wage moderation. This means neither that asset-based classes are locked in a zero-sum game (where benefits for some rest on losses for others), nor that the existence of classes and their relationship to assets is necessarily structurally dependent on the existence of other classes and their relationship to assets. Instead, prevailing and embedded institutional conditions have constituted and distributed asset class positions. As such, for the case of the asset economy, it is critical to understand asset class positions (that is, different relationships to asset ownership) as institutionally structured.

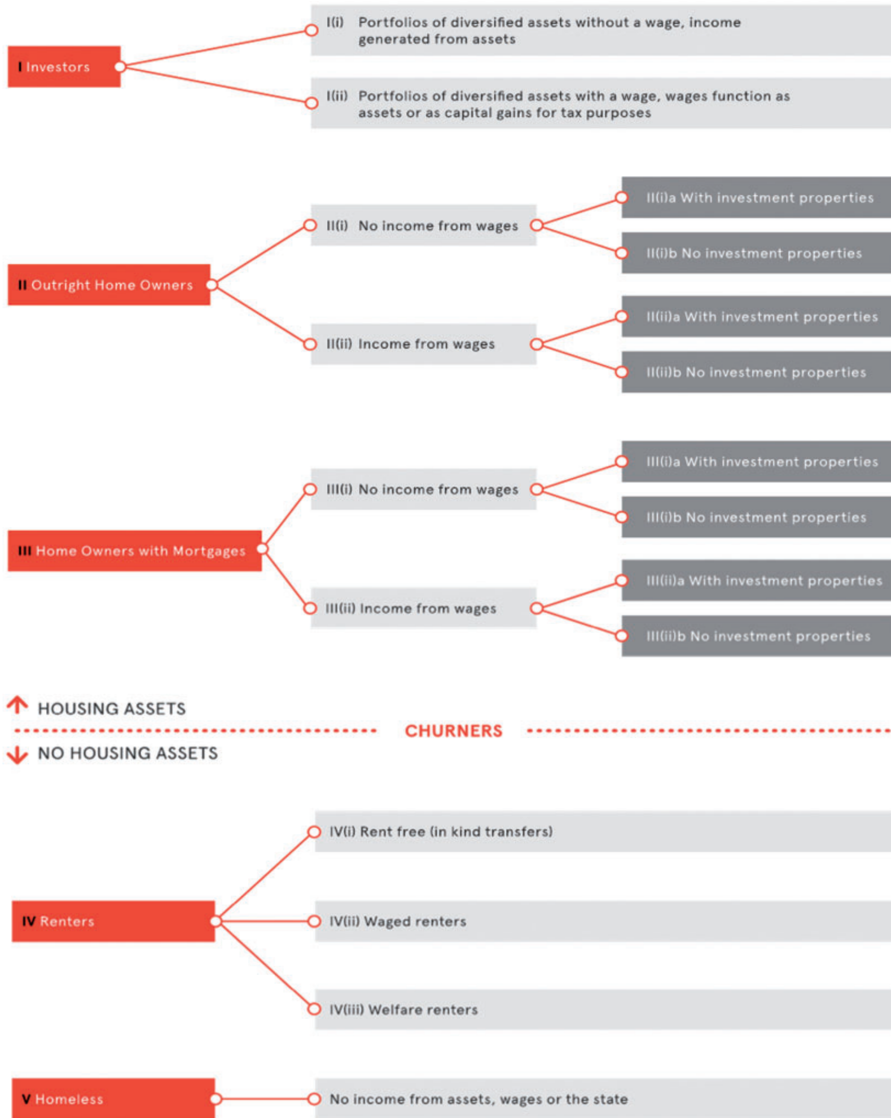

Figure 4. Asset-based class scheme.

In foregrounding different relationships to asset ownership, our scheme makes the full implications of the asset economy for the reshaping of the social structure explicit. The scheme therefore moves away from simplistic models of a bifurcated class structure (e.g. of rentiers and renters or of creditors and debtors) and articulates a top, bottom and middle range of classes defined by complex relationships to asset ownership (including mortgaged home ownership, and ownership of investment properties). It captures how the population as a whole is incorporated into the economy of assets and demonstrates how positions within the hierarchy of asset ownership overdetermine the wage relationship. At the upper end of the scale, housing market investors are likely to be less dependent on income from labour and more dependent on income from capital, particularly in the

form of capital gains. This means that while most wage earners have experienced stagnant income growth over the past few decades, the incomes of the wealthiest investors have experienced a phenomenal inflationary upsurge of housing assets in general. This correlates with recent studies that have demonstrated the significance of investor or capital income, in particular capital gains, in shaping today's class inequalities (Nau, 2013; Robbins, 2018). As a heuristic device, the scheme requires further empirical verification, including the stratifying effects of other assets such as superannuation and shares (cf. Bryan and Rafferty, 2018: 73–104).[8] It is certainly true that financial assets of all kinds are concentrated among the highest quintile of income earners, who hold 53% of investment real estate, 60% of all shares and other financial assets and 46% of all superannuation wealth (Davidson et al., 2018: 55). And housing is not the only asset to offer lucrative tax protections to high-income earners: superannuation in particular benefits from extraordinary tax concessions that have barely been dented by recent legislative reforms (Daley, Coates and Young, 2016a). Nevertheless, housing continues to be the key driver of wealth inequality among Australian households, followed by shares and business income, then superannuation.[9] In as much as it is property ownership, property inflation, property-based capital gains and wage moderation that have produced such marked stratifying effects in the Australian case, we believe our proposed scheme correctly focuses on the key asset. As such, our proposed scheme represents a major advance on those that simply layer a rentier class over established employment and cultural capital-based class schemes.[10]

Our asset-based class scheme has some historical antecedents that are important to acknowledge. In the late 1970s and across the 1980s, in the context of the selling off of public housing stock in the UK, a debate took place among urban studies scholars and political scientists regarding the relationship between housing tenure and social and political divisions, including class divisions (see, e.g. Dunleavy, 1979; Forrest and Murie, 1986; Saunders, 1984). This included explicit discussion of the relationship between home ownership, wealth accumulation and class (Saunders, 1984). Ultimately, these debates did not impact on or change the course of the social science orthodoxy in regard to class. In part this was because housing tenure (and especially home ownership) was framed as an issue of consumption. As a consequence, the debate did not engage with (or appreciate) the key process that we have foregrounded in this paper, namely the construction of residential property as a financial asset. But these debates also had little impact on the social science class orthodoxy because at that historical juncture the full force of wage moderation, asset price inflation and intergenerational wealth transfers had yet to be felt even though, as we have shown for the Australian case, the selling off of public housing forms a critical element in the pathway towards fully fledged asset-based inequalities. Now, 40 years after those debates, this full force is being felt, with asset ownership eclipsing the significance of employment and employment relations in the shaping of class positions.

Conclusion

In this paper we have made a number of interventions that contribute to understanding the dynamic interplay between wealth accumulation, asset inflation and social stratification. We have done so in a context in which, although Piketty's *Capital* has mapped growing inequalities based on wealth, and especially on asset-based wealth, the implications of such inequalities for understanding the logics and dynamics of class and stratification have not been theorized or elaborated. We have suggested that in part this problem lies with ongoing attachments to orthodox employment-based class schemes as well as with an ongoing fixation on symbolic or cultural forms of capital. At the very best, existing class models have

been supplemented by the addition of a rentier class. We have suggested that this problem also relates to how Piketty understands wealth accumulation to be driven by natural economic laws. In contrast, we have proposed that present-day asset-based wealth accumulation and asset-based inequalities are better understood as institutionally and politically shaped. Drawing on the case of Australia, we have shown not only how property inflation, asset-based capital gains and wage moderation are institutional and political outcomes, but also how institutional and political interventions have resulted in a structural reconfiguration of patterns of inequality. Far from only concerning the very rich or a rentier class, this structural reconfiguration is thoroughgoing, such that it is the relationship to assets rather than employment that operates as the key decider and distributor of life chances. On this basis, we have proposed that employment-based class schemes should be replaced with an asset-based scheme. While requiring further empirical verification, we believe that our proposed five-point asset-based class scheme will go some way in explaining how the current structural mutation of capital is central to the production of a new social structure of class. In short, we see our scheme as providing a long-overdue sociological translation of the implications of growing asset-based wealth inequalities.

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Notes

1. The rate of growth investment credit has declined since then, but this has been in part compensated for by the increased funds flowing into the Australian housing market from Chinese investors.
2. In contrast to the USA and UK, the 'build to rent' model and involvement of large corporate landlords have not taken off in Australia, despite recent interest from policymakers. See AHURI Brief (2019).
3. While this scheme has been subject to adjustment, it sorts occupations into seven classes grouped into three clusters defined in terms of the character of employment relations found within them. It differentiates working, intermediate and service classes and, critically, between employees whose work is governed by a labour contract (including routine, semi-routine and technical employees) and those involved in a service relationship with employers. The latter includes managers, professionals and administrators.
4. This survey was subsequently replicated in Australia (see Sheppard and Biddle, 2017).

5. It is worth registering here that the post-Bourdieusian landscape also includes Boltanski and Esquerre's (2016; see also Boltanski et al., 2015) recent analysis of what they term the economy of enrichment. Noting a tendency in the world economy towards the production of expensiveness, and recognizing that the production of expensiveness is connected to increasing wealth inequalities as well as to divisions of social class, the focus of Boltanski and Esquerre's analysis is the modalities through which the value of expensive objects is established and maintained. One such modality that Boltanski and Esquerre explore is the asset form, but this is posited as one modality operating alongside and with many others. This pragmatist approach to value and valuation therefore fails to take into account the institutional basis of asset appreciation and hence is unable to deliver an analysis of the consequences of this appreciation and asset holding in the shaping of social class positions.
6. Payne (2013) has observed that the GBCS simply adds an elite class category to a set of classes that approximate to those found in the NS-SEC classification – that is, the UK government's official class classification based on the Nuffield class schema.
7. Standing is not alone in foregrounding a return of the rentier class, see, for example, Duménil and Lévy (2005), Lapavitsas (2009), Stockhammer et al. (2011).
8. As the next step in this project we are carrying out a survey across Greater Sydney to test the robustness of our scheme. The survey pays special attention to the significance of intergenerational transfers in the shaping of asset class positions.
9. According to Davidson et al., the three asset classes making the greatest contribution to wealth inequality at the end of 2016, when the Gini coefficient was 0.61, were 'owner occupied housing (contributing 0.22, reflecting its high weight among household assets), shares and business income (contributing 0.15, reflecting its high concentration in high-wealth households), and superannuation (contributing 0.12, reflecting its high weight among household assets)' (Davidson et al. 2018: 59).
10. While beyond the scope of the current article, our scheme provides a basis for exploring the spatial dimensions of asset classes, especially for exploring which asset classes are more likely or unlikely to reside in the place of their investments.

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