

“Active equality means people having the power to act together to bring about change...”

---

## **SOCIETY OF EQUALS**

Graeme Cooke

---

OPEN LEFT PROJECT

**DEMOS**

This pamphlet is part of a trilogy approaching the question of equality from the three main strands of political thought in Britain – represented by the Labour, Conservative and Liberal Democrat parties.

The view from the Left was produced by Demos' Open Left Project. Open Left aims to renew the arguments and ideas of the centre-Left. Its goal is to create a space for open debate and new thinking about the kind of society Britain should be and how and how to bring it about. This should be based on idealism, pluralism and radicalism.

Find out more at [www.openleft.co.uk](http://www.openleft.co.uk)

Open  
Left

Demos is an independent think-tank focused on power and politics. We develop and spread ideas to give people more power over their own lives. Our vision is of a democracy of powerful citizens, with an equal stake in society.

Demos has several core research programmes in 2010: Capabilities, Citizenship, Security, Economic Life, Progressive Austerity and Extremism. We also have two political research programmes: the Progressive Conservatism Project and Open Left, investigating the future of the centre-Right and centre-Left.

In all our work we bring together people from a wide range of backgrounds to develop ideas that will shape debate in the UK and beyond, and engage a broad and diverse audience worldwide.

Find out more about our work at [www.demos.co.uk](http://www.demos.co.uk).

First published in 2010  
© Demos. Some rights reserved  
*Magdalen House, 136 Tooley Street,  
London, SE1 2TU, UK*

ISBN 978 1 906693 31-2  
Series design by modernactivity  
Typeset by Chat Noir Design, Charente  
Printed by Lecturis, Eindhoven

Set in Gotham Rounded  
and Baskerville 10  
Cover paper: Flora Gardenia  
Text paper: Munken Premium White



**Mixed Sources**

Product group from well-managed  
forests, controlled sources and  
recycled wood or fiber

[www.fsc.org](http://www.fsc.org) Cert no. CU-COC-804101  
© 1996 Forest Stewardship Council

# SOCIETY OF EQUALS

Graeme Cooke

## Open access. Some rights reserved.

As the publisher of this work, Demos wants to encourage the circulation of our work as widely as possible while retaining the copyright. We therefore have an open access policy which enables anyone to access our content online without charge.

Anyone can download, save, perform or distribute this work in any format, including translation, without written permission. This is subject to the terms of the Demos licence found at the back of this publication. Its main conditions are:

- Demos and the author(s) are credited
- This summary and the address *www.demos.co.uk* are displayed
- The text is not altered and is used in full
- The work is not resold
- A copy of the work or link to its use online is sent to Demos

You are welcome to ask for permission to use this work for purposes other than those covered by the licence. Demos gratefully acknowledges the work of Creative Commons in inspiring our approach to copyright. To find out more go to *www.creativecommons.org*



## Contents

Acknowledgements	7
Foreword	9
Summary	13
Introduction	19
1 More or less equal under Labour?	23
2 What sort of equality should Labour pursue?	33
3 What is the problem with inequality?	39
4 What should Labour do about inequality?	45
Conclusion: the political case for equality	61
Notes	63
References	71





## Acknowledgements

I am very grateful for input, comments and suggestions from Ali Moussavi, Andy Dixon, Anthony Painter, Andy Ryan, James Purnell, Julia Margo, Malcolm Clark, Maurice Glasman, Max Wind-Cowie, Oli de Botton, Richard Murphy, Richard Reeves, Sonia Sohda, Stuart Adam and Will Davies.

Graeme Cooke  
February 2010



# Foreword

It was February 2008 – at a cabinet sub-committee to discuss the joint bid Ed Balls and I had put in for the budget to increase spending on child poverty. A bit of a stand-off had been reached, when someone pierced the atmosphere by saying: ‘The problem with this child poverty goal is it’s a milestone around the government’s neck.’

Alistair Darling committed £1.7 billion in that budget to help 250,000 children out of poverty. Because it tracks the living standards of the average family, our child poverty goal is a measure of inequality. For a government that was thought not to care about inequality, we certainly spent a lot of money on it.

In fact, the opposite is true – we did care about inequality. It was Tony Blair who committed us to ending child poverty. If we could be accused of anything, it wasn’t lack of ambition. I remember describing it to a left wing Democrat in Mayor Bloomberg’s administration in New York and she thought I was pulling her leg. She said they’d never get a relative child poverty target through in the USA. Hence the milestone quip.

Why then, did people think we didn’t care about inequality? Partly because of an early reluctance to talk about equality, as if it was part of the old Labour baggage we were leaving behind; partly because reducing inequality in an industrialised country is extremely hard. Technological and industrial change means that there is an inequality drift in most advanced economies, with the gap rising through market forces unless the government and society counteracts it.

As this paper shows, Britain was one of the few countries to dent that trend over the last decade. Our tax and benefit changes were highly redistributive. But in some areas we hadn’t defined the inequalities we cared about, and when we did, we judged ourselves by yardsticks that were extremely hard to meet.

Labour should be clear that we care about inequality, but also clarify which inequalities we care about most and why. Graeme Cooke's paper points the way. We want powerful people in a reciprocal society. That simple goal guides where we should spend public resources and political capital: on the inequalities that stop people being powerful and society being reciprocal.

First, that means ensuring everyone can reach their full potential. That cannot happen if children grow up in poverty, or if our public services are rationed by money. Graeme's argument that we should prevent selection by mortgages in our schools is a powerful one.

Second, it means aiming for an active idea of equality, where people achieve equality for themselves and with others rather than having it given to them. It is true, as the New Liberal thinker LT Hobhouse said, that you can't have liberty without equality, but also that you can't have real equality without responsibility.

Our goal isn't a system where people remain disempowered, the market outcome remains unjust, and we try to correct it through redistribution. Our goal is a society where people are powerful, which we achieve by making the rules of the game egalitarian, so that they take responsibility. In short, a society which is more equal because people are more powerful, rather than one which is more equal because the tax system is more powerful.

So, if the rules of the game on how top corporate pay is set are rewarding people more than their increases in productivity would suggest is deserved, we should look at the structure of power and interests on remuneration committees, rather than imposing a maximum wage. If people are living in the UK but not paying towards our public services, we should change the rules of the game so they do. If people are working hard but not earning enough money to look after their family, we need to look at a Living Wage.

Equality matters. But it won't be achieved passively. It will be achieved through an idea of active equality, which will both work better in practice, and go with the grain of public opinion.

That is the best and most durable route to a society of equals.

*James Purnell MP, Director of the Open Left project*



## Summary

Greater equality has always been a core mission driving Labour politics, a commitment re-energised by the financial crisis and its damaging consequences. In government, Labour has tolerated too much inequality but never been clear enough about the sort of equality it wants to pursue or the most pressing inequalities it seeks to address. This has limited the effectiveness of its policy agenda for greater equality and undermined the political case in support of it. It also means that its record – credible by international and historical standards, if far from perfect – is judged against a metric it neither embraced nor challenged.

With an election looming, Labour needs to articulate a compelling analysis of the state of the country and a clear argument about its vision for it. This should be a Britain of powerful people and a reciprocal society. This grows from an understanding of shared fate and the ways a more equal society benefits us all. It means all individuals having the real freedom to pursue their idea of the good life, within the context of a strong, reciprocal society. This is a vision that demands action to reduce unjustified inequalities in a range of areas, particularly tackling concentrations of power and structural injustices. This, in turn, requires harnessing the potential of both the state and markets where possible, and constraining them where necessary. It means supporting the creation of wealth and caring about its distribution.

The Gini coefficient – the most common measure of income inequality – tells us something, but far from everything, about how Britain matches up against this vision. It collapses everyone's lives and the condition of society into a single figure, while leaving out much that we have reason to value. This includes many non-cash public goods like education, work and the environment; a range of non-material goods like

relationships, time and well-being; as well as human agency, freedom and choice. The evidence presented in Richard Wilkinson and Kate Pickett's book *The Spirit Level* underlines the importance of thinking about equality and its impacts across a wide range of domains.<sup>1</sup> One consequence of the limitations of the Gini coefficient is that making it the prime metric of success offers a partial guide to policy making. Also, evidence suggests that simply asserting equality as an abstract goal has similarly limited political purchase.

Labour needs, in short, a broader and deeper egalitarian agenda. Broader, by addressing inequalities in the range of capabilities that contribute to people's lives going well, not just material resources. Sometimes this will mean ensuring people have at least a basic level of a particular 'good' (eg decent housing), in others the distribution of 'goods' will be a matter of concern (eg democratic power). And deeper, by addressing the structural injustices and concentrations of power that drive these inequalities, as well as directly ameliorating their worst consequences. This means combining the indispensable role for government in guaranteeing certain outcomes and redistributing resources, with a more 'active equality' where democratic and egalitarian institutions and 'rules of the game' give people the chance to shape the outcomes they seek for themselves and alongside others.

The lesson from Labour's time in office so far is that it has been too hands off with the market and too hands on with the state: too unwilling to challenge market outcomes, then overly reliant (and optimistic) about the potential of the state as a corrective force. Both the state and markets can empower, but both can overpower too. Labour also needs a political agenda that reflects people's natural instincts to improve their own situation but also their concern for whether the lives of others go well, based on the reality of shared fate. In developing a future policy agenda, Labour should think harder about trying to affect the *unjust drivers* and limit the *unjust impacts* of inequalities – challenging inequality at source.

In the particular context of the 'super-rich', this means focusing on what is most problematic about the *causes* and



*consequences* of the very affluent ‘pulling away’ at the top of society. This is likely to prove a more fruitful approach than trying to define a limit on top pay or seeking to pursue an optimum level of the Gini coefficient. Its goal is to spread power and challenge the dominance of sectional interests, for the good of society as a whole. In this spirit, the following policies are proposed:

- *Ensure that anyone benefiting from living and working in the UK pays tax here.* Scrap the anomalous ‘non dom’ status and clarify tax rules for UK citizens taking up residence abroad and non-UK citizens coming to live and work here.
- *Open up remuneration committees to employees and investors – and limit the number someone can sit on.* Require employee and shareholder representation in decisions about executive rewards, as part of a broader move to spread power within firms.
- *Promote a greater diversity of ownership models, starting with the remutualisation of Northern Rock.* Restore tax advantages and establish a public endowment to support the growth of mutual organisations, where power is negotiated and rewards are spread – including models with greater employee ownership.
- *Widen parental choice and ensure fair admissions in education by ending selection by house price.* Open up catchment areas, end proximity tests for admissions, allow new schools to be set up and good ones to expand – then allocate places at oversubscribed schools by ballot.
- *Protect democracy from being bought by sectional interests by limiting the size of donations to political parties.* Place a low limit on individual donations to political parties, cap spending between and during elections, and provide public funding for political education, local campaigning and democratic activism.
- *Encourage the spreading of wealth by taxing the receiver of inheritance, rather than the giver.* Replace inheritance tax with a gift tax, to limit transmissions of unearned wealth and encourage wealth to be spread more widely.

The overall fiscal impact of these measures depends on their precise design, with clear choices for policy makers. Any net

## Summary

revenue raised should be split between paying down the deficit and ending the scandal of poverty among working people. This policy agenda for 'active equality' – complementing traditional redistribution – emphasises the role of human agency and collective organisation in bringing about change. It responds to what many find troubling about the 'gaps' in our society – the impacts of which are powerfully presented in *The Spirit Level* – in a way that resonates with a widely shared sense of justice and fairness. This draws on the enduring Labour case for equality and it can be remade again for today.





# Introduction

For many, Labour's record on equality cuts to the core of the debate about its entire record in government. Attacks come from both sides of the political divide. David Cameron used his conference speech last year to argue that the Conservatives are now the party best placed to tackle poverty and inequality.<sup>2</sup> Many voices on the liberal left criticise what they see as Labour's timidity in failing to strike out in a more decisively egalitarian direction.<sup>3</sup> A common refrain is that society has become more unequal, with the gap between rich and poor getting bigger.

In response, defenders of the government's record tend to make two points. First, that Labour's record, by historical and international standards, is actually stronger than its critics from both left and right suggest. And second, given public ambivalence about inequality,<sup>4</sup> progress has been commendable, if stealthy, considering this partially inhospitable backdrop.

This paper will consider the truth of the government's record on equality. However, the core argument it advances is that Labour has tolerated too much inequality and never been clear enough about which inequalities it cared about and why. There are some advantages to such intellectual imprecision, but it has undermined getting the policy and politics right. It has constrained Labour's ability to make a compelling case or to sustain a coalition of support for a more equal society. It has also hindered an effective policy agenda and governing philosophy to reduce the inequalities it cares about most. The result has been some wrong steps and insufficient prioritisation, among the many good things that have been done. It also means the party's record gets judged against a yardstick that it has neither embraced nor challenged.

In response, Labour should deepen and broaden its attack on unjustified inequalities – and especially those that undermine

the goal of making people more powerful and society more reciprocal. It can broaden its agenda by focusing on inequalities in the range of capabilities that contribute to people's lives going well, not just material resources. And it can deepen it by addressing the structural injustices and concentrations of power that drive such inequalities, as well as seeking to ameliorate them directly through redistribution. This would open up a richer seam of policy strategies and frame a political argument more resonant with the public. Abstract measures of resource inequality, such as the Gini coefficient, offer important insights. But they do not capture all that is valuable about the quality of people's lives or the condition of society – nor do they help prioritise actions to improve them.

What does a Britain of powerful people and a reciprocal society mean? A powerful person is someone who has the real freedom to pursue their idea of the good life, the actual power to, in Amartya Sen's phrase, 'do this or be that', including freedom from the arbitrary control or domination of something and someone else. A reciprocal society is the necessary context for people to be powerful and is sustained, in turn, by powerful people. It is the space between (and independent from) the state, markets and citizens, where we respect the relational, mutual nature of life and the need for power and interests to be exercised through negotiation not domination. Creating such a society depends most fundamentally on the agency of people and their relationships with one another. However, it also requires Britain to be a society of equals, which is incompatible with serious and unjustified inequalities. So there is a central role for an egalitarian political project aimed at putting both the state and the market to use in the service of this end – and constraining both when they undermine it.

It has been widely asserted that the events of the past couple of years herald a new centre-Left moment. The financial crisis has reopened many ideological debates that have laid dormant for over a decade, while the forthcoming general election is focusing attention on different visions for the future of the country. However, whether the consequence of this moment is a political project with a credible agenda for a more equal

society is far from assured. This paper aims to help those people who want it to be so.





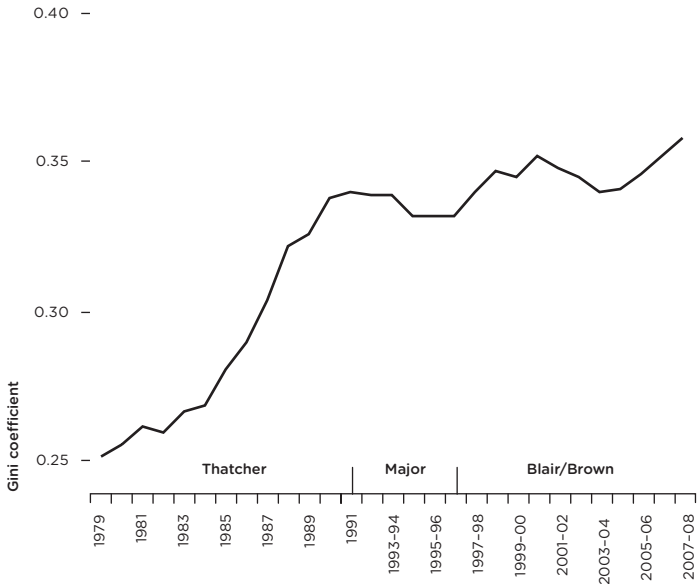
# 1 More or less equal under Labour?

It is important to start by considering Labour's record on equality – specifically *income* equality – in government. The critique of this record is usually that Labour either downplayed equality as a goal and so was indifferent to the trends or that its efforts to reduce inequality were pursued too cautiously and too quietly. Both critiques contain an element of truth, but not the whole truth. And on their own they provide a limited guide to where next. We'll get to that later, but first let us look at the facts.

The most commonly used measure of income inequality is the Gini coefficient. This is a calculation for measuring the distribution of income among the population and, more precisely, the gap between the top and the bottom. As Figure 1 indicates, on this measure, inequality carried on rising after 1997, continuing the substantial upward trend since the early 1980s. It then fell year on year between 2000 and 2004, the only period of sustained decline seen since 1979. According to the OECD this puts the UK among only a small handful of developed countries to have shown a trend to decreasing inequality at any point in the last 20 years.<sup>5</sup> However the Gini coefficient has picked up again in recent years, reaching its highest level since 1961 and well above the OECD average.<sup>6</sup>

The Gini coefficient is an overall composite measure, which reduces inequality to a single figure. Digging a little deeper reveals a more nuanced story. For instance, inequality measured by the 90:10 ratio – comparing the position of the 10th and 90th percentile in the income distribution – fell between 1996–97 and 2004–05, before rising slightly in the following two years.<sup>7</sup> Figure 2 demonstrates this trend more clearly, by showing that across around three-quarters of the population – especially between the 20th and the 90th percentile – the income

Figure 1 The Gini coefficient, 1979 to 2007-08 (GB)



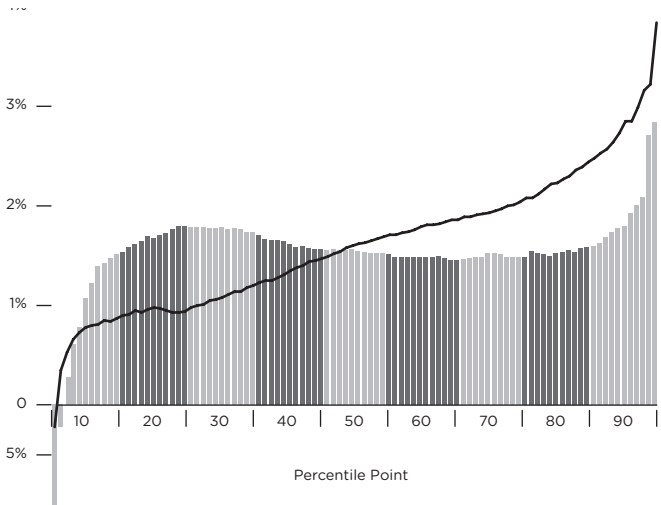
Note: The Gini coefficient has been calculated using incomes before housing costs have been deducted.

Source: Brewer et al, *Poverty and Inequality in the UK: 2009*

distribution has become more equal under Labour. This is because the incomes of households towards the bottom of the distribution have grown more quickly than those in the middle and towards the top.

This hasn't happened by accident. It is the result of rising employment (until early 2008), robust wage growth among the lowest earners (following a series of minimum wage increases above the rate of average earnings) and redistribution to low income families and pensioners (through the benefit and tax credit systems). As Figure 3 shows, this marks an almost exact reverse from the distribution of income growth under the

Figure 2 **Real income growth by percentile point, 1996-97 to 2007-08 (GB)**



Notes: The change in income at the 1st percentile is not shown on this graph. Incomes have been measured before housing costs have been deducted. The differently shaded bars refer to decile groups.

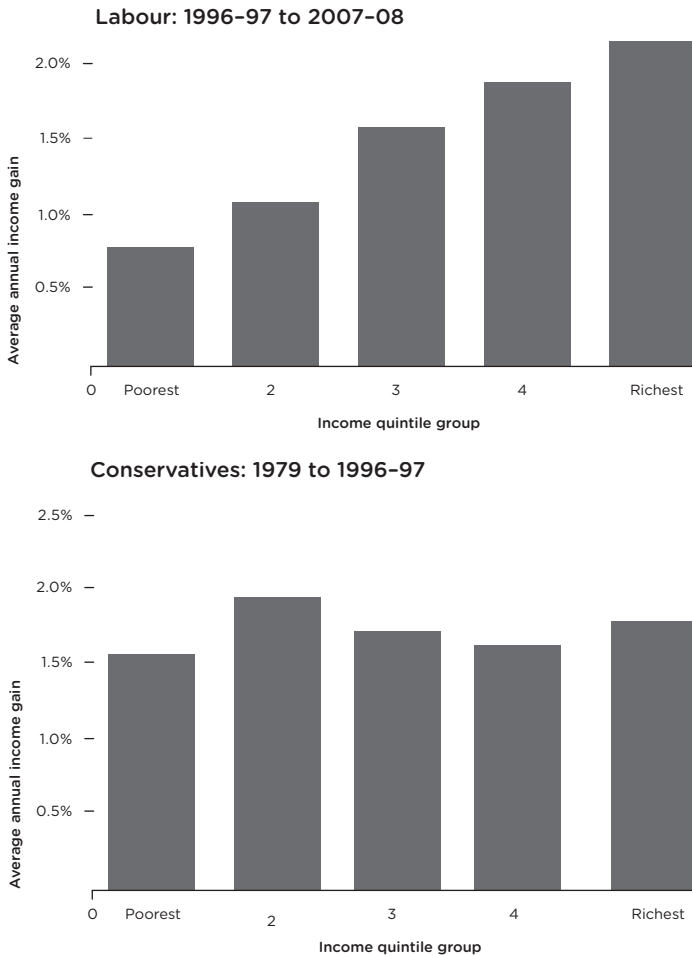
Source: Brewer et al, *Poverty and Inequality in the UK: 2009*

previous Conservative government. This has led to falls in child and pensioner poverty after two decades of growth. Rises in poverty in 2007 and 2008 coincided with years when Labour took its foot off the redistributive pedal. Contrary to David Cameron's argument, 'big government' played a significant part in this progress – and it was when redistributive efforts were stalled that progress was reversed.

So, given these trends, why has the Gini coefficient risen to its highest level since the early 1960s? The reason – demonstrated in Figure 2 – is that the 'super-rich' have got relatively richer, while the 'super-poor' have got relatively poorer.<sup>8</sup>

The causes of poverty are complex, varied and often highly specific. Factors like debt, worklessness, family breakdown,

Figure 3 Real income growth by quintile group (GB)



Notes: The averages in each quintile group correspond to the midpoints - the 10th, 30th, 50th, 70th and 90th percentile points of the income distribution. Incomes have been measured before housing costs have been deducted.

Source: Brewer et al, *Poverty and Inequality in the UK: 2009*

educational failure and addiction can all be significant factors in need of attention. But so is not having enough money. One of the main reasons the income of those in the bottom two deciles has fallen behind is that the value of out of work benefits has continued to decline relative to average incomes, coupled with there still being too many households where no one works.

At the other end of the income distribution, the ‘super-rich’ – the top 10 per cent and especially the top 1 per cent – have rapidly ‘raced away’ from the rest. During Labour’s first term in office average real income growth was highest among the top 1 per cent, and within that, among the top 0.1 per cent. This very top group – nearly 47,000 people – experienced average real income growth of over a third (37 per cent) between 1996–97 and 2000–01. These individuals disproportionately worked in finance and business sectors and their rapidly rising rewards correlate with the successful performance of the FTSE during this time. Mirroring trends across the rest of distribution, these gains were substantially lower in the following years (up until 2004–05 when the data series ends).<sup>9</sup>

Analysis over a longer time frame finds that the share of total personal income going to the top 0.1 per cent declined from 3.5 per cent in 1949 to 1.3 per cent in 1979, before rising to 4.6 per cent in 2000.<sup>10</sup> However, it is important to note that the top 10 per cent of income tax payers contribute over half of all income tax revenue (53 per cent) and the top 1 per cent almost a quarter (23 per cent).<sup>11</sup> This helps pay for the schools, hospitals and income transfers that reduce inequality considerably (see below).

So what are we to make of this slightly confusing picture? To assist in understanding what has gone on, the Institute for Fiscal Studies has characterised Labour’s record as having three main stages:

- In the first term, average income growth was strong (over 3 per cent in real terms) but, unlike the late 1980s boom, this prosperity was widely shared thanks to rising employment, the minimum wage and tax credits. The bottom more than kept pace with the middle and so poverty fell. However, incomes at the top

rose even faster. So income inequality (measured by the Gini coefficient) rose.

- In the second term, average income growth was weaker but robust redistribution to those at the bottom continued. The result was that poverty fell further. During this period income growth at the top slowed and was more in line with the rest of the distribution (partly linked to the bursting of the dot com bubble). So income inequality fell.
- During the third term, income growth has been virtually stagnant for all but the richest, while public finance constraints have limited the scope for further redistribution. The consequence (so far) has been rises in both poverty and income inequality (though extra spending on child poverty in particular, especially in 2008, have yet to feed through into the figures). The impact of the recession is still too early to call, but higher unemployment, falling average incomes and the implosion of the financial sector could produce greater income equality but also greater poverty.<sup>12</sup>

So this is what the data says. But how much does it actually tell us about the lives people are able to lead and the sort of society Britain is? That some people have a lot more money than others and too many don't have enough is an important insight, but is it sufficient? Does it help us shape an effective policy agenda, beyond the need for a progressive tax and benefit system? And, politically, is it expressed in a way that resonates with how people feel and talk about their own hopes and struggles, their conception of fairness and justice, or the kind of society they want to live in?

'*What do we want? A lower Gini coefficient!*' is not just an unlikely rallying cry, but it also feels highly abstracted from everyday life, while missing the real target of political concern. It seems to leave out much of what is important and valuable, from a myriad of non-cash public goods, non-monetary values and the role of human agency and choice. One of the insights from the evidence presented in *The Spirit Level* is that inequality affects a wide range of outcomes in society, from levels of trust and violence to social cohesion.<sup>13</sup> This is where the work of Amartya

Sen and his capabilities framework is helpful in encouraging us to consider the broader range of factors that enable people's lives to go well.<sup>14</sup> Money is clearly central here, particularly the way it enables people to expand their choices, horizons and opportunities. However, the left has rightly always argued that everything of value cannot be reduced to money or measured by price.

Measures of income inequality do not capture a range of non-cash public goods, such as the quality of education, health, work, housing and the environment. These have strongly progressive impacts that reduce inequality when they are taken into account. For example, including a range of 'benefits in kind' (such as health, education, transport and housing) more than doubles the average post-tax income of the bottom 20 per cent of households and reduces the ratio between the top and bottom quintiles from around 7:1 to around 4:1.<sup>15</sup> Recent cross-national evidence finds that the impact of such non-cash benefits reduces inequality by more in the UK than in any of four other comparison European countries (Italy, Belgium, Greece and Germany). Such spending on housing, health and education also cuts the overall UK poverty rate in half (16.5 per cent down to 8.1 per cent), and the child poverty rate fourfold (19.5 per cent down to 5.2 per cent) – again the biggest impact among the countries studied.<sup>16</sup> Unfortunately this study does not include trend data to help assess the impact of policy and spending over time.

If the only goal were lower disposable income inequality then policy makers would be making a mistake in spending resources on these non-cash public benefits, rather than boosting incomes, even where these are progressively targeted.<sup>17</sup> However, few would deny that such investment in education, health and housing is of immense value. Inequalities in access to educational opportunities or the transmission of educational disadvantages across generations are associated with the distribution of economic resources but they are not indistinguishable from them. The same can be said for inequalities in political power or power in the workplace. Beyond this, there are many non-material, intangible values – relationships, care and well-being – which cannot be plotted on a graph but which are the essence of a good life. Similarly, people will choose to value and

prioritise money, as opposed to other ‘goods’, differently in their life. Society benefits greatly from people choosing to generate wealth, and getting their fair reward from doing so. The problem, for the centre left, is that the *chances* of doing so are not equally available to all.

However, in utilitarian fashion, the Gini coefficient collapses the well-being of each to a single, undivided value. It is hard to develop a rich and effective policy agenda when the goal being targeted does not capture so much of what is important – and provides such a limited guide to prioritisation. Politically, it does not provide the most fruitful basis for making the case for greater equality. Research by the Fabian Society suggests that people are less convinced by abstract arguments for equality than by arguments based on proportionate rewards and improving quality of life for everyone.<sup>18</sup>

These limitations suggest it is worth at least asking whether the level of the Gini coefficient is the best way to assess the state of our society or if reductions in it are the best arbiter of progress. Rises in income equality are likely to indicate troubling trends, falls more positive ones. But it is arguably the processes that drive income inequality and the consequences that result from it that are of primary concern. This questioning is not designed to justify a Labour retreat from an egalitarian agenda. In fact, quite the opposite. It is a means to deepening and broadening the party’s commitment by addressing head on what it is about inequality that is most troubling and harmful.







## 2 What sort of equality should Labour pursue?

Greater equality is a fundamental and unifying goal of the Labour Party and the broader centre-Left. This can be traced back to the birth of the labour movement, through the writing of Tawney, Crosland and Hattersley,<sup>19</sup> to contemporary concerns about the divisions and gaps in our society.<sup>20</sup> For Crosland, pursuing greater equality rather than greater public ownership was *the* central purpose of the Labour Party. During the development of New Labour overt egalitarian language was undoubtedly downplayed. However, over the last couple of years equality has been central to debates about the renewal and future direction of the centre left. This has been given impetus by the onset of the financial crisis, with anger about the ‘super-rich’ tapping into a strong Labour tradition of concern about fairness and responsibility.

A central New Labour insight was the importance of getting means and ends around the right way and in the right place. But on equality the party arguably has something of a muddle going back to Crosland. Labour people do tend instinctively to favour greater equality for its own sake. But in truth this commitment is more about the kind of society greater equality helps to bring about and the kind of lives it enables people to lead. Anger at inequality is rooted in the way it constrains and undermines that better society – and the structural injustices that cause it and are perpetuated by it. In this sense greater equality is a means to an end, not an end in itself. Crosland (and arguably Labour) also never decisively answered the ‘equality of what?’ question: income or wealth; opportunity or outcome; resources or capabilities?

The goal for Labour should be a Britain of equals, where people are more powerful and society is more reciprocal. This means everyone having the real freedom to pursue a life they

value – within an interdependent and mutual society. The basic case for this vision does not rest on statistics or policy programmes or complex theories. It is simple and intuitive and is rooted in the idea of shared fate. The lives people are able to lead – for good and for bad – are always the result of both personal talent and effort and the opportunities and support provided by others. Whether it is the love of family and friends, the benefit of public goods, the advantages provided by society or simple good fortune, our successes and happiness are partly our own and partly shared. They are the product of both what we do and where we come from. This is why a more equal society can be good for everyone.

So Labour is right to be ‘for’ people who want to improve themselves and their lives, but has sometimes underemphasised how rarely, if ever, this happens in isolation. And rather than diminishing or diluting people’s achievements, this recognition that success is a team effort only enriches them. Similarly it is undoubtedly true that most people want the best for them and their families, but most also care whether the lives of others go well. Our lives are intertwined so we have a stake in other people: success is invariably a positive sum, not a zero sum game. To take one obvious example, we all gain from a well-educated society not just the individually well-educated. The lesson is that a society where each person independently pursued their own good, and thought ‘to hell with the rest’, would be unlikely to end up maximising the goods of each or add up to the good for all. As Saul Alinsky argued, ‘people cannot be free unless they are willing to sacrifice some of their interests to guarantee the freedom of others’.<sup>21</sup>

This is the essence of a Labour worldview and it helps to inform the politics of greater equality and the policies needed to secure it. It means that when people in our society do well (and not just by getting rich) we should celebrate it and share in it because it is partly our success too. And because where we get to in life is not just down to us, we want to make sure everyone is able to turn their talent and effort into success as well – to the benefit of us all. The distinctive centre left insight is that this won’t happen naturally, or simply by removing impediments: it

requires positive actions to overcome concentrations of power and structured injustices. Similarly, people show compassion and provide support to others when times are hard because someone's troubles and the disadvantages they face are never all their own doing; they are partly our collective responsibility too. This is an expression of interdependence and relies on all of us acting reciprocally and fulfilling our reciprocal obligations to each other.

These are the instincts of decency and compassion that we aspire to in our own lives – and we should shape our politics around them too. But what do they mean in political and policy terms? And what, in turn, does that mean for our account of equality?

Building on the thinking of Amartya Sen and his theory of capabilities, Jo Wolff's concept of a 'society of equals' gives us a good starting point. Wolff argues that:

*A society of equals is a society in which disadvantages do not cluster, a society where there is no clear answer to the question of who is the worst off. To achieve this, governments need to give special attention to the way patterns of disadvantage form and persist, and to take steps to break up such clusters.<sup>22</sup>*

This broadens out a concern for equality to the range of factors that affect whether people have the power to lead good lives, within the context of a reciprocal society. It draws on Michael Walzer's concept of 'complex equality' and Elizabeth Andersen's idea of 'democratic equality' – especially around the importance of power relationships.<sup>23</sup> In some areas 'declustering disadvantage' will require ensuring that all citizens have access to a basic set of goods, for instance access to high quality public services, democratic rights and a sustainable environment. In others, a concern for the distribution of a given capability will be important. For example, a society of equals is incompatible with huge concentrations of economic power with the resulting potential for the domination of sectional or vested interests. These are likely to undermine the conditions for a reciprocal society, such as people having a sense of being bound together in a shared life.

This more plural approach also avoids the policy and political weakness of a technical or mechanistic measure of equality, while avoiding the limitations of a thin equality of opportunity or meritocracy. By not addressing the structure of power and advantage, the latter ends up promising opportunity but leaving many only with the shame of having failed to achieve an unrealisable dream. The vision of a society of equals emphasises the importance of individual agency and freedom, but recognises that this grows from, and depends on, the context and structure within which lives are led. Alinksy expresses this goal as being about ‘the creation of those circumstances in which man can have the chance to live by values that give meaning to life’.<sup>24</sup> This approach also calls on us to focus on challenging actual injustices rather than simply debating abstract or perfect justice. Trying to work out what might be the ideal level of the Gini coefficient is far less important than identifying real-world injustices that can actually be acted upon, and then doing so.







### 3 What is the problem with inequality?

The next task is to identify which inequalities constrain the goal of a Britain of powerful people and a reciprocal society, and why? One of the basic arguments in this paper is that this question cannot be reduced to a simple, single or timeless answer. The drivers and impacts of unjustified inequalities need to be considered across a range of domains. There will rightly be ongoing democratic debate and political struggle about which are the most important capabilities (or ‘functionings’ as Sen would describe them). But the following list should be fairly uncontroversial: good health and education, a decent standard of living, secure housing, basic democratic and legal rights, access to employment, personal and physical security and a sustainable environment. These are crucial to making people powerful, while both requiring and fostering a more reciprocal society.

A comprehensive egalitarian and democratic agenda informed by such a framework is beyond the scope of this paper. However, it should certainly seek to address unjustified inequalities in power and opportunity that pertain in public services, the economy and our democracy, as well as in income and wealth. The aim here is to offer a potential framework for thinking about policy and to give some specific examples. Given the focus of the One Society campaign, these will focus on the concern about those at the very top ‘pulling away’ from the rest of us. The objective is to show that being precise about what is most problematic about the drivers and impacts of inequality can help to guide an effective policy agenda and a popular political argument to address those problems.

The debate about the ‘super-rich’ used to be about David Beckham. Now it is about Fred Goodwin, the RBS Board, and occasionally public sector ‘fat cats’. Public hostility towards the ‘super-rich’ has rocketed over the last two years. Opinion polls

suggest the introduction of the new 50 per cent tax rate and the windfall tax on bank bonuses carry wide public support.<sup>25</sup> This is rooted in the sense of injustice about a small group of people taking risks whose costs are being borne by others. Many also quite reasonably question whether anyone can possibly need millions of pounds to live on. However, the question of how much is too much is likely to be highly contested.

The problems with trying to put a cap on top pay are practical and principled. First, it is hard to see how an upper cap could be agreed against any non-arbitrary criteria. The Low Pay Commission makes minimum wage recommendations based on a simple (if not entirely objective) rule: how high can it be without costing jobs? Also, it would imply that generating wealth, and benefiting in proportion, is wrong, when this is central to driving prosperity which society can then share. Of course many in the banking sector did precisely the opposite of both in the years leading up to the credit crunch. Perhaps most problematically, a cap on top pay would offer a cosmetic sense that 'something is being done', without challenging the causes of unjustified inequalities and diverting attention from real or lasting change.

Therefore, if we reject the idea of a statutory maximum wage, it would be more fruitful to look at what is *driving* very high rewards (and the inequalities that result) and their *impacts* on other people and society as a whole. In this spirit, there are perhaps five key questions to ask:

- 1 Are the institutions and processes that set such high rewards operating in a fair, open and accountable way?
- 2 Are people in receipt of such high rewards making their contribution to society?
- 3 Are the impacts of such high rewards causing harm to others?
- 4 Are the *inequalities* arising from such high rewards having a negative impact on individuals or society, either directly or indirectly?
- 5 Are we raising sufficient resources to support our goals for people and society, including addressing unjustified inequalities?

We might well think it both ridiculous and regrettable that city bankers or sports people or pop stars earn as much as they do – especially given how little millions of others are paid and have to live on in comparison. But, in political terms, confronting these five questions offers a far more promising avenue than a debate about whether a given person's level of pay is too high. The consequences of addressing these questions with radical solutions would be highly likely to reduce income inequality, but in a more enduring way.

Let us put this approach to the test by thinking through the answers to these questions, particularly in relation to the financial crisis. On the first, bank remuneration committees were opaque, unrepresentative and monopolistic. Pay was set unilaterally, rather than negotiated within firms. On the second, there is justified outrage when people avoid paying tax while benefiting from living and working in our society. On the third, the structure of rewards in the financial sector encouraged people to seek short term profit maximisation, often based on activities of little underlying productive or socially useful value, at great risk to all of our jobs, savings and mortgages. This was partly based on the institutional architecture of governance, ownership and remuneration in the financial sector. In this instance, the drivers of high rewards had a direct negative impact on the rest of society given the banking crisis they provoked.

On the fourth, the research underpinning *The Spirit Level* highlights the negative impacts of inequality on everyone in society – including the rich – for instance on mental health, crime and community cohesion.<sup>26</sup> Action to reduce inequalities can therefore benefit those at 'the top' of society as well as those in the middle and at the bottom. Also, when large inequalities, across a number of domains cause people to lead lives that are virtually unrecognisable from each other, the reality of shared fate and the conditions for a reciprocal society are put in peril. This risks undercutting the necessary foundations for a democratic agenda: that our lives are implicated in each other's and whether or not they go well are intertwined.<sup>27</sup> We also care when the consequences of high rewards are inequalities that enable some to enjoy undeserved advantages or to exercise

## What is the problem with inequality?

disproportionate power over others (which, in turn, tend to reinforce these inequalities further). Examples of this can be seen in our democracy, housing market and education system. On the fifth and final question – how much revenue is needed to shape the kind of Britain we want? – the answer is more empirical and subjective, but important to factor in nonetheless.

These are not necessarily the definitive questions to pose, or the only or best way to think about responding to them. Others will no doubt disagree and want to challenge both. This is a good debate to have. Indeed the main point is to suggest that this is a more fruitful avenue for egalitarian politics and policy than debating the appropriate upper limit on someone's pay or indeed the optimum level of the Gini coefficient. The final sections of this paper explore further why this might be the case.





## 4 What should Labour do about inequality?

The argument in this paper is that Labour should identify and address those inequalities, which – in their drivers and impacts – undermine the goal of making people more powerful and society more reciprocal. Before turning to specifics, it is worth distinguishing two types of policy response that are needed to further such an egalitarian project. In some areas government will need to intervene directly to guarantee or shape certain desired outcomes. Redistributing resources and ensuring minimum standards in public service provision is a good example of this. People can debate the appropriate *extent* and *effectiveness* of such measures, but this is certainly the *type* of policy most consistently pursued by Labour in seeking greater equality over the last 13 years. In many cases this is important and essential. Indeed, guaranteeing protection against long term unemployment and ensuring that work provides a decent standard of living are two areas where this type of approach should be extended.

But there is also a second type of approach, which Labour should think harder about in developing its next phase of policy. This would prioritise shaping more egalitarian ‘rules of the game’ so that concentrations of power are challenged and citizens can exercise their individual and collective agency to shape the outcomes they seek. Examples of such arena could include economic institutions and corporate governance, democratic reforms that spread power and public services that give people greater control. This more ‘active equality’ is about asking what people, not just government, are prepared to do to make society more equal. It asks them to play their part rather than just having it ‘done to them’ or imposed on them. It is a more demanding but also more empowering approach. This could manifest itself in people’s roles as workers, managers,

owners, voters, neighbours, campaigners or parents. Rather than a more equal society simply being 'delivered' by government, it must also be fought for by a citizen movement. Both elements are essential.

Such 'active equality'<sup>28</sup> is fundamentally concerned about ensuring democratic and egalitarian processes; giving people the real power to shape outcomes that are right for them. It is rooted in a belief that it is always better for people to achieve things for themselves and alongside others, than having them done to them or for them. This is inspired by Alinsky's argument that 'there can be no darker or devastating tragedy than the death of man's faith in himself and his power to direct his future'.<sup>29</sup> This type of approach does not mean 'less state', and certainly does mean being more attuned to the way the market can undermine people's power and freedom. It also means using the state differently to ensure more equal power and freedom to act – especially through institutions and processes – rather than just pursuing greater equality directly through standardisation and uniformity. The objective here is 'actively equal persons' where liberty is understood as 'equally distributed freedom'.<sup>30</sup> 'Active equality' also means remembering that with power comes responsibility and reciprocity – right across society – including the importance of people fulfilling their obligations to one another. This links the obligation to work in the welfare system to the obligation to contribute tax among the 'super-rich'.

An effective policy agenda will always need a combination of these two types of approach. It will also require getting the role of both the market and the state right: harnessing their potential where possible, constraining their excesses where necessary. One of the lessons of Labour in government is that it has been insufficiently critical of both. It too often let the market dictate the outcome and was then too reliant (and optimistic) about the capacity of the state to alleviate the consequences. In the context of inequality, this created a pernicious mix. High levels of market inequality were argued to be inevitable, leaving too much for the state to do to engineer greater equality from above. In short, Labour has been too hands off with the market and then too hands on with the state. One of the negative



consequences of this combination has been to disempower citizens and squeeze society, underplaying the latter's autonomous role in creating a more equal society in ways not sanctioned or controlled by the state. An important point to remember about 'active equality' is that it won't always be possible to know in advance what the result will be – nor will the outcomes be easily measured or tracked on a graph.

Based on the analysis of the challenges posed by the *drivers* and *impacts* of inequality, specifically as associated with the 'super-rich', and the approach to egalitarian and democratic change outlined above, what should Labour's next policy agenda in this area be?

The first point to make is that the tax and benefits system should be made more progressive. The same study that highlights the effect of 'benefits in kind' on inequality also underlines the contribution of taxes and transfers to narrowing income differences. For example, the Gini coefficient for original market income is 0.52, falling to 0.38 for post tax and transfer income (at the household level). This process also reduces the ratio of income between the top and bottom deciles from 16:1 to 7:1.<sup>31</sup> Ideas for reform in this area are widely discussed elsewhere,<sup>32</sup> and their implications range far beyond the particular focus of egalitarian attention here – the pulling away of the 'super-rich'.

However, challenging the most regressive aspects of the current system should be a priority for Labour, in particular, the scandal that some of the poorest people end up paying the highest proportion of their income in tax and face some of the highest marginal tax rates on their earnings.<sup>33</sup> A decent standard of living is central to having real power (and any meaningful understanding of capabilities), with a particular priority for ending child poverty and in-work poverty.<sup>34</sup>

However, the focus here is on a broader egalitarian policy agenda. This is inspired by the notion of 'active equality', which should complement the direct redistributive steps government should continue to make to reduce those inequalities which undermine a Britain of powerful people and a reciprocal society. They aim to ensure fair contribution, spread power and rewards, and restrict the advantages of affluence.

## Ensure that anyone benefiting from living and working in the UK pays tax here

Tax avoidance (legal) and tax evasion (illegal) are highly complex issues – generating work for many lawyers and accountants, not to mention tax officials.<sup>35</sup> However, the idea that anyone benefiting from living and working in the UK should pay tax in the UK is a fairly basic principle of a reciprocal society, where we fulfil our obligations to one another. Tax evasion is equivalent to benefit fraud, and we should be similarly intolerant of both.<sup>36</sup> However, current tax rules allow some – often very wealthy people – to live, work and educate their children in this country without contributing to the funds which pay for the public goods from which they benefit. This arises from the UK's byzantine rules around where people are 'resident' and 'domiciled'.

It is impossible to design a perfect tax system that leads to the collection of 100 per cent of tax due. However, tax should be designed around clear principles, with rules that make avoidance or evasion as difficult as possible. In relation to current residency and non-domicile rules, this is decisively not the case. They make it difficult to ascertain the tax liability of those arriving and leaving the UK, while allowing UK citizens to avoid paying tax but to continue to benefit from living and working here, by claiming residency elsewhere. The category of 'non-doms' – which virtually no other country has – enables non-UK citizens to draw on our public goods while paying no UK tax by keeping vast amounts of their income and assets abroad.

Tax expert Richard Murphy has recently put forward proposals, alongside others, to remedy this situation, which merit serious attention.<sup>37</sup> In essence these reforms would involve scrapping the 'non-dom' status and creating clearer rules for both UK citizens moving abroad and non-UK citizens coming here to live and work. Under these rules the former group would be required to pay UK tax on their worldwide income, unless they could prove they were paying tax on an equivalent basis in another country where they had taken up residence (this would obviously not include a tax haven). For the latter a simpler residency test would be applied, based on a set of objective questions rather than the number of nights that someone spends

in the country, as currently applies and is easily manipulated. For people arriving and leaving repeatedly, a test assessing their enduring links with the UK would be used, like holding a passport, owning property or educating their children here.

Ensuring these rules work in practice requires the tax authorities to have a more effective means to discover the worldwide income of those liable, or potentially liable, to pay UK tax. This could be achieved through more proactive international information sharing among financial institutions and tax authorities. These would have the added benefit of challenging the remaining tax havens, as the G20 committed to doing when world leaders met in London in 2009.

Because of the complexity of tax rules there is considerable detail to be worked through in implementing changes such as these. And they won't be perfect. However, the principle expressed here is simple, and our current rules fall far short of it. Such reforms would be highly likely to raise significant tax revenue, contributing to reducing the deficit, though any estimate would be speculative at best. In truth, this is a secondary consideration to the fulfilment of one of the basic principles of a reciprocal society: if you take out, you put in.

### **Open up remuneration committees to employees and investors – and limit the number someone can sit on**

In response to concerns about spiraling executive pay, the government-commissioned Walker Review has called for companies to disclose the number of people paid over £1 million a year (plus a slightly wider remit for remuneration committees).<sup>38</sup> Some have argued that this is too timid – that it sets the bar for disclosure too high and does not identify the names of highly paid individuals.<sup>39</sup> However, there is evidence that benchmarking and peer comparisons played a significant role in astronomical executive rewards before the crash.<sup>40</sup> There is surely a risk that greater transparency would exacerbate this dynamic, serving only to ratchet up top boardroom pay further. Having said that, the argument for 'within firm' pay

transparency might well play out differently, where questions about the distribution of rewards and the importance of negotiating pay play out much more directly. The average ratio of boss-to-worker pay among the FTSE 100 has now reached 66:1 (excluding stock options).<sup>41</sup>

The real question here is one of power, and in particular, the concentration of power among those responsible for setting top corporate rewards. There is good evidence that the growth in executive pay during the 1990s and 2000s grew significantly faster than could be explained by firm size, performance or industrial classification. For example, Bebchuk and Grinstein find that had the relationship of compensation to these explanatory variables been the same in the USA in 1993 as it was in 2003, average (mean) compensation would have been about half the size it actually reached.<sup>42</sup> This suggests that rather than remuneration committees acting efficiently to set top rewards in line with merit, or even shareholder value, they more often reflected the market power of the participants (tempered by the so-called 'outrage constraint' and exacerbated by peer comparisons).<sup>43</sup>

Therefore, rather than seeking to cap high pay, focus should be on reforming the institutions and processes that set executive rewards in ways which spread power and encourage internal transparency. This could be done by requiring remuneration committees to include employee representatives, either through a recognised trade union or elected works council. Along with shareholders, this would balance power and ensure that decisions about pay were negotiated among all those with a relevant interest. Limiting the number of different firms' remuneration committees that any one person can sit on would also restrict the 'you scratch my back I'll scratch yours', cartel-like phenomenon where executives end up setting each other's pay and bonuses. Widening the interests represented on remuneration committees would also be an important step towards greater democracy in the economy.

In this context, both Germany and Sweden offer potential models of corporate governance from which we could learn.<sup>44</sup> In the former, power is split between the supervisory board, which

is responsible for strategic decision making (eg investments, mergers and acquisitions, and the structure of rewards), and the management board, which is responsible for the day to day running of the firm. Under German law, all companies with over 2,000 staff must include employee representatives on supervisory boards. In addition, firms with at least five employees are entitled to elect a works council, which has the right to negotiate with management on key strategic decisions.<sup>45</sup> Analysis of the impact of these structures concludes that:

*The existence of an effective majority of employee representatives on the supervisory boards of large firms, and tax and legal rules that favour the stable, relational shareholdings of banks and networked firms amount to institutional features that restrain executive pay...<sup>46</sup>*

It is worth noting that such restraint on executive pay is not the principal objective of this policy. The main goal is to spread power within the firm and give a broader range of interested parties a voice in important decisions about its direction. The outcome – which will be decided by the people involved – is secondary to the process – which we should aim to ensure is egalitarian and democratic as possible. This reform should be complemented by more active attempts to harness the potential for the Information and Consultation regulations to increase employee voice, via trade unions or other workplace representatives.<sup>47</sup> An agenda along these lines would provide a basis for a modern trade union movement to revive and strengthen its role on behalf of working people within organisations.

### **Promote a greater diversity of ownership models, starting with the remutualisation of Northern Rock**

Questions of ownership have been largely absent from debates about political economy for far too long. In decoupling itself from a dogmatic belief in nationalisation, Labour became silent and appeared indifferent to the politics of ownership entirely. This is especially problematic for the centre left given the links

between ownership and the distribution of both power and rewards. The credit crunch was caused because both had become too concentrated and too undemocratic. Individual banks had become too big to fail. The banking sector had sacrificed diversity and pluralism. Maximising shareholder value had come to dominate all other potential business motives. Reward structures encouraged reward hoarding. Counterbalancing interests – employees, consumers and locality – had been marginalised, excluded and disempowered. The consequence was that banks and the banking sector no longer served their vital purpose within society, only a narrow, sectional interest. In the end, even that proved to be self-defeating.

The lesson from this episode is that any future egalitarian and democratic agenda must engage with questions of ownership. This should be driven by two core concerns. First, the value of a diversity of organisational types and ownership structures within the economy. In the financial sector, for instance, this would help spread risks. In the wider economy it would help cater for a range of valuable purposes – providing high quality services, developing new products, protecting the environment, creating and sustaining good jobs – which can't all be reduced to shareholder value. In considering these issues, Will Davies marks an important distinction between 'profit maximising' and 'profit making' organisations.<sup>48</sup> This is the difference between firms that pursue a profit alongside other interests (like workers or the environment), and those that pursue profit at the expense of other interests. Second, the value of greater democracy within firms. Wherever possible, decision making should be negotiated among the interests of owners, workers, users and locality. Proposals to reform remuneration committees and promote vehicles for employee voice draw directly on this imperative.

This suggests there would be considerable benefits from a larger, stronger sector of mutually owned organisations within the UK economy. These could take a variety of forms, such as building societies, cooperatives, endowments, housing associations and employee owned businesses. Indirect employee ownership offers a particularly attractive mix. This is an arrangement

where all workers are automatically joint shareholders of the firm, with the right to involvement in strategic decision making and a dividend on profits. However, employees cannot add to or sell their equity stake, so the assets are locked so they can be handed on to future workers (perhaps by being held by an independently managed employee benefit trust).

All the potential models of mutual ownership aim to pursue a broader set of interests than simply shareholder value – and so are likely to create a favourable context for power to be negotiated and decision making to be more democratic. There is also evidence that mutuals demonstrate strong productivity and higher job satisfaction among workers. For example, the Employee Ownership Index, which measures firms with a significant amount of direct employee share ownership, has outperformed the FTSE 100 by an average of 10 per cent per year since 1992.<sup>49</sup>

The role for government and public policy in encouraging such a diversity of ownership models is not simple or straightforward. By definition, such organisations must not be sponsored by, or clients of, the state – just as they are not purely about maximising profit or shareholder value. However, there are things that can be done – and there is no such thing as government indifference in industrial policy. For example, Will Davies has proposed restoring tax advantages to employee benefit trusts, which underpin indirect employee ownership, and creating a public (non-state) endowment to provide financing to support the establishment and growth of employee owned firms. To demonstrate intent and commitment to pluralism in the UK economy, the government should remutualise Northern Rock when it is ready to be moved out of state ownership – strengthening diversity and competition in financial services.

### **Widen parental choice and ensure fair admissions in education by ending selection by house price**

Educational standards have risen since 1997. There are fewer failing schools and evidence suggests that the link between parental background and attainment has been weakened, if far

from yet broken.<sup>50</sup> However, in some areas of the country there are still too few good schools for parents to choose between, while de facto selection by house price restricts that choice still further for many. Research by Bristol University has found that pupils eligible for free school meals (a proxy indicator for disadvantage) have a 44 per cent chance of living near a good school, but those ineligible for free school meals have a 61 per cent chance of living near a good school.<sup>51</sup>

In recent years Labour has toughened up the rules on admissions by requiring schools to abide by a statutory code. However, this still means that parents need to live within a school's catchment area to apply and allows schools to use a geographic 'proximity test' to discriminate between applications when they are oversubscribed. The consequences of this are that there is a significant premium on housing close to sought after schools, as parents naturally want to move there if they can afford to. The result is that schools often end up choosing parents rather than the other way around. This phenomenon means that access to the best schools in our country can effectively, if indirectly, be bought. It also militates against mixed communities and contributes to educational segregation.

The solution is to open up the supply of education, radically widen parental choice, and make admission rules truly fair. There is a need for more places at more good schools. This could be achieved by making it easier for new schools to be set up, for successful existing ones to expand, and for failing schools to be closed down or taken over. Then catchment areas should be broken open – either expanding their size considerably or abolishing them entirely – allowing parents to apply to a much wider range of schools (ranking their top choices). The application process should then be brought forward significantly to enable the supply of school places to respond as much as possible to changes in demand. Subsidy for school transport should also be increased to make this wider choice meaningful, with a reasonable cap.

Where schools are oversubscribed they would be able to give priority to siblings and should also do so for looked after children. However, beyond this, places at oversubscribed schools



should be determined by ballot. Where parents did not gain a place at their first choice school they would then follow the same process at their second choice and so on. The evidence suggests that the vast majority of parents would get a place for their child at either their first or second choice – though these would be made from a far larger pool of options.<sup>52</sup> If this evidence was borne out in practice, parents could be offered a guarantee that they would get one of their top choices.

### **Protect democracy from being bought by sectional interests by limiting the size of donations to political parties**

When politics comes into contact with big money the effect is invariably negative, palpably demonstrated by the scandal of MPs' expenses, but also apparent in the controversy often surrounding large donations to political parties or when the outcome of elections rests more on the size of the war chest than the value of ideas. A rich and thriving democracy is not cost free; it requires people's time and – yes – their money. Indeed contributing to political causes – community organisations, pressure groups and trade unions, as well as political parties – should be seen as a valued civic act. However, the corrosive impact of large, personal donations means that this is rarely the way they are viewed within the political system. There have been widespread calls for democratic and political reforms over the last year, but the impact of any such changes will be limited unless action is taken to prevent big money buying political power and influence.

The first step is to set a low cap on individual donations to political parties. This could be in the hundreds or low thousands of pounds. It should certainly be no more than £5,000 – a tenth of the £50,000 that David Cameron has proposed, which would still mean parties chasing donations from wealthy individuals. This should be combined with a reduction in the total amount that parties can spend both during general election campaigns and in the years between them. Applying these annual caps to individual constituencies would prevent parties piling resources

into marginal areas while neglecting ‘safe seats’. Combined with electoral reform, this would encourage political parties to focus their policy, resources and campaigning energy on the whole country – not just so-called swing voters and marginal seats. Providing tax relief on the first proportion of money given would create an incentive for parties to seek such small donations from the many rather than larger ones from the few. Parties would require hundreds of thousands of supporters rather than hundreds of thousand-pound donors.

However, even with these steps, a tight restriction on individual donations would be likely to leave a gap in the funding required to enable political parties to promote a vibrant democracy. This means biting the bullet of public funding for political parties, within the context of lower annual and election spending limits. Democracy needs money, but from a democratic source or it will remain dominated by those who have money themselves. However, the state shouldn’t sponsor democracy and the market shouldn’t dominate it. One option would be to create a public endowment for democracy, jointly managed by representatives of each of the parties and independent individuals, from which all of the parties could draw in proportion to their electoral support. This funding should not be used for newspaper advertising or billboard posters, precision bombing narrowly segmented groups of voters, but offered in return for parties engaging the public through local democracy and activism. This would incentivise them to return to their roots as vehicles for local people to come together to change their communities. Deprived of big donations, and with restrictions on the use of public money, the only way parties would be able to sustain themselves financially would be through broad-based and local support.

For Labour, such reforms would pose questions about how the party maintained its historic and vital link with the trade union movement. The money that trade unions currently contribute towards the Labour Party represents a collective donation on behalf of millions of working people. Under the proposals put forward in the Phillips review of party funding, Labour would sacrifice its block grants but continue to receive

financial support via direct donations through the affiliation system. This would keep big money out of politics while keeping Labour rooted in the lives of working people – and encouraging the party to engage properly with the hundreds of thousands of individual trade unionists who are linked to it. For the Conservatives, these reforms would raise questions about its financial dependence on Lord Ashcroft and other wealthy donors. Irrespective of the adjustments that such reforms would require for all the main parties, the important principle would be that wealth could no longer buy political power and that democracy was not for sale.

### **Encourage the spreading of wealth by taxing the receiver of inheritance, rather than the giver**

Holding wealth – in the form of savings, pensions, property or shares – gives people greater freedom to take risks and greater resilience against insecurity.<sup>53</sup> Wealth also tends to multiply: having money helps a lot in gaining more of it. However, wealth is more unequally distributed than income (and less heavily taxed), while its transmission across generations confer advantages that are often neither earned nor deserved. The most recent figures show that the Gini coefficient for total household wealth was 0.61,<sup>54</sup> around double that for income (after taxes and transfers). The bottom half of households in Britain own just 9 per cent of the country's total wealth, while the top half own 91 per cent.<sup>55</sup> The wealthiest fifth of households own 62 per cent. This is driven by a range of factors, including patterns of income, housing ownership and inheritance.<sup>56</sup>

Where inherited advantages drive greater inequality, and where the impact of that inequality unfairly disadvantages others, it poses a particular challenge to the egalitarian vision proposed in this paper. This is clearly the case in the context of transmissions of wealth between generations, which give some people a far greater (yet unearned) freedom to act and plan. Access to the housing market is a good example, especially where this drives up prices to the extent that getting on the housing ladder becomes unaffordable for many. As Warren

Buffett famously said: ‘The perfect amount of money to leave children is enough so that they would feel they could do anything, but not so much that they could do nothing.’ Inherited wealth drives unjustified inequalities, and perpetuates them across generations.

Inheritance tax has been central to political debate over the past couple of years – and elicits strong views among both its defenders and opponents. To focus on the facts, inheritance tax is a tax on estates, levied when their owner dies. The first £325,000 of an estate can be passed on tax free, and wealth above this threshold is subject to a 40 per cent tax (with some exemptions). It is a tax currently paid by around 6 per cent of estates, partly because it is relatively easy to avoid, not least by passing on wealth prior to the last seven years of life. This means that the rich, but not super-rich, are disproportionately affected by inheritance tax because their wealth tends to be locked up in their homes and so is harder to gift during someone’s lifetime.

Public attitudes data suggests that inheritance tax is one of the most unpopular taxes. One of the main reasons is that it is seen as a form of ‘double taxation’, where people who have paid tax on their income during their life are taxed on it again at death. The big exception to this is the untaxed appreciation of housing wealth. Notwithstanding this, there is some validity to the general objection, which points towards the direction for reform. The principle is this: we should tax the receiver not the giver. They, after all, are the people who benefit from the transmission of wealth without earning it themselves. This could be done by replacing inheritance tax with a gift tax – or capital receipts tax – where people are taxed on assets they are given over a certain threshold over their lifetime.<sup>57</sup> The level of this personal allowance and the marginal tax rate above that level would determine whether a reform along these lines was revenue raising, saving or neutral. In any case, it would have the advantage of encouraging people passing on wealth to spread it among a number of people.

This policy package is proposed with a recognition of the constraints currently imposed by the scale of the public finance deficit. The overall fiscal impact of the measures depends on

their precise design, though in a number of cases there are choices for policy makers. Any net revenue raised should be split between paying down the deficit and ending the scandal of poverty among working people, through a combination of boosting in-work incomes and reducing the tax burden on the low paid.



## Conclusion: the political case for equality

This paper has made the case for a shift in Labour's attitude and approach to equality from the one that has largely, if quietly, dominated during its period in government. Its potential rests, fundamentally, on whether it is right and would work. However, there are reasons to think that it would also be (more) politically popular and carry broad(er) public support.

First, as Ben Jackson has argued, some of the great egalitarian political leaders of the twentieth century combined anger about vested interests and concentrations of power with a vision of shared prosperity and security, to build majority coalitions for change – rather than direct appeals to abstract equality.<sup>58</sup> Lloyd George, Attlee and Roosevelt all fall into this category. Similarly, the dissonance between a sizable majority of the public being concerned about the gap between rich and poor, but ambivalent towards government redistributing resources to reduce it,<sup>59</sup> is initially confusing. However, the argument and agenda set out here aims precisely to bridge that gap.

By seeking to affect the *drivers* and limit the *impacts* of inequalities – as well as directly ameliorating them – this egalitarian argument responds to what the voting public find troubling about the 'gaps' in our society in a way that resonates with a widely shared sense of justice and fairness. Why inequalities have arisen and what their consequences are matters to people.<sup>60</sup> A policy agenda informed by 'active equality' – complementing traditional redistribution – emphasises the role of human agency, individual initiative and collective organisation in bringing about change. This argument also has the potential to challenge effectively David Cameron's attempt to present the Conservatives as the party best placed to tackle inequality. He might wish Britain was more equal, but his hostility to the state,

his confusion about society, and his silence about the market suggests he is not prepared to will the ends.

Labour should be proud but not satisfied with its record on inequality. Renewing its egalitarian agenda can help convince the public that it still has the ideas and energy to govern. To make further progress towards greater equality it should demonstrate how the potential of politics can harness the power of people to confront manifest injustices so as to build a better society for us all. This is the enduring Labour case for equality and should be remade again for today.



# Notes

- 1 R Wilkinson and K Pickett, *The Spirit Level: Why more equal societies almost always do better* (London: Allen Lane, 2009).
- 2 D Cameron, 'Putting Britain back on her feet', speech given on 8 Oct 2009, [www.conservatives.com/News/Speeches/2009/10/David\\_Cameron\\_Putting\\_Britain\\_back\\_on\\_her\\_feet.aspx](http://www.conservatives.com/News/Speeches/2009/10/David_Cameron_Putting_Britain_back_on_her_feet.aspx) (accessed 1 Feb 2010).
- 3 For example P Toynbee and D Walker, *Unjust Rewards: Ending the greed that is bankrupting Britain* (London: Granta, 2009).
- 4 Evidence suggests that people care about the gap between rich and poor but don't necessarily support action to reduce it. See for example L Bamfield and T Horton, *Understanding Public Attitudes to Tackling Inequality* (York: Joseph Rowntree Foundation, 2009), [www.jrf.org.uk/publications/attitudes-economic-inequality](http://www.jrf.org.uk/publications/attitudes-economic-inequality) (accessed 1 Feb 2010); and M Orton and K Rowlingson, *Public Attitudes to Economic Inequality* (York: Joseph Rowntree Foundation, 2007).
- 5 OECD, *Growing Unequal? Income distribution and poverty in OECD countries* (Paris: Organisation for Economic Co-operation and Development, 2008), table 11.1. The trends on income poverty went from a 'significant increase' between the mid-1980s and the mid-1990s, to a 'significant decrease' in the following decade.
- 6 M Brewer et al, *Poverty and Inequality in the UK: 2009* (London: Institute for Fiscal Studies, 2009), [www.ifs.org.uk/publications/4524](http://www.ifs.org.uk/publications/4524) (accessed 2 Feb 2010).
- 7 Ibid.

- 8 I am grateful to Richard Reeves and Philip Collins for the term ‘super-poor’. See R Reeves and P Collins, *The Liberal Republic* (London: Demos, 2009).
- 9 M Brewer, L Sibieta and L Wren-Lewis, *Racing Away? Income inequality and the evolution of high incomes* (London: Institute for Fiscal Studies, 2008).
- 10 AB Atkinson and T Piketty (eds), *Top Incomes Over the Twentieth Century: A contrast between European and English-speaking countries* (Oxford: Oxford University Press, 2007).
- 11 S Adam and J Browne, *A Survey of UK Tax System* (London: Institute for Fiscal Studies, 2009), [www.ifs.org.uk/bns/bn09.pdf](http://www.ifs.org.uk/bns/bn09.pdf) (accessed 2 Feb 2010).
- 12 M Brewer, A Muriel and L Wren-Lewis, *Accounting for Changes in Inequality Since 1968: Decomposition analyses for Great Britain* (London: Institute for Fiscal Studies, 2009), [www.ifs.org.uk/publications/4713](http://www.ifs.org.uk/publications/4713) (accessed 2 Feb 2010).
- 13 Wilkinson and Pickett, *The Spirit Level*.
- 14 A Sen, *The Idea of Justice* (London: Allen Lane, 2009).
- 15 A Barnard, *The Effects of Taxes and Benefits on Household Income, 2007/08* (London Office for National Statistics, 2009), [www.statistics.gov.uk/downloads/theme\\_social/Taxes-Benefits-2007-2008/Taxes\\_benefits\\_0708.pdf](http://www.statistics.gov.uk/downloads/theme_social/Taxes-Benefits-2007-2008/Taxes_benefits_0708.pdf) (accessed 1 Feb 2010).
- 16 A Paulus, H Sutherland and P Tsakloglou, *The Distributional Impact of In Kind Public Benefits in European Countries* (Bonn: Institute for the Study of Labor, 2009).
- 17 Although such non-cash benefits are likely to have long term positive impacts on income, by for example increasing earnings potential, direct redistribution would more efficiently narrow the income distribution and lower the Gini coefficient.

- 18 Bamfield and Horton, *Understanding Public Attitudes to Tackling Inequality*.
- 19 RH Tawney, *Equality* (London: Allen & Unwin, 1937); A Crosland, *The Future of Socialism* (London: Cape, 1957); and R Hattersley, *Choose Freedom – The future of democratic socialism* (London: Penguin, 1987).
- 20 For example Toynbee and Walker, *Unjust Rewards*.
- 21 SD Alinsky, *Rules for Radicals: A pragmatic primer for realistic radicals* (New York: Vintage Books, 1971).
- 22 J Wolff and A De-Shalit, *Disadvantage* (Oxford: Oxford University Press, 2007).
- 23 M Walzer, *Spheres of Justice: A defense of pluralism and equality* (New York: Basic Books, 1983); and E Anderson, 'What's the point of equality?', *Ethics* 109 (1999).
- 24 Alinsky, *Rules for Radicals*.
- 25 See [www.nextleft.org/2009/04/fabian-poll-public-support-for-50p-tax.html](http://www.nextleft.org/2009/04/fabian-poll-public-support-for-50p-tax.html) (accessed 2 Feb 2010) and [http://page.politicshome.com/uk/public\\_back\\_bankers\\_bonuses\\_tax.html](http://page.politicshome.com/uk/public_back_bankers_bonuses_tax.html) (accessed 2 Feb 2010).
- 26 Wilkinson and Pickett, *The Spirit Level*.
- 27 Marc Stears discusses this reason for caring about inequality further here: [www.openleft.co.uk/2009/08/06/equality-and-the-left-a-follow-up-debate/](http://www.openleft.co.uk/2009/08/06/equality-and-the-left-a-follow-up-debate/) (accessed 2 Feb 2010).
- 28 I am grateful to Marc Stears for his thinking on this idea. Marc makes a powerful case for such 'active equality' in a forthcoming Open Left publication on the renewal of centre left ideology.
- 29 Alinsky, *Rules for Radicals*.

- 30 I am grateful to Maurice Glasman for these descriptions.
- 31 Barnard, *The Effects of Taxes and Benefits on Household Income, 2007/08*, [www.statistics.gov.uk/downloads/theme\\_social/Taxes-Benefits-2007-2008/Taxes\\_benefits\\_0708.pdf](http://www.statistics.gov.uk/downloads/theme_social/Taxes-Benefits-2007-2008/Taxes_benefits_0708.pdf) (accessed 2 Feb 2010). Figures given are at the household level.
- 32 For example Toynbee and Walker, *Unjust Rewards*; G Irvin et al, *In Place of Cuts: Tax reform to build a fairer society* (London: Compass, 2009); and T Horton and J Gregory, *The Solidarity Society* (London: Fabian Society, 2009).
- 33 CSJ, *Dynamic Benefits: Towards welfare that works, a policy report from the Economic Dependency Working Group* (London: Centre for Social Justice, 2009); Irvin et al, *In Place of Cuts*.
- 34 Max Wind Cowie's proposal for a public sector living wage could play an important role here.
- 35 R Murphy, *The Missing Billions: The UK tax gap* (London: TUC, 2008).
- 36 Polly Toynbee and David Walker argue persuasively that society should engage in similar public campaigns and 'naming and shaming' for tax avoidance as have been deployed against benefit fraud. See Toynbee and Walker, *Unjust Rewards*.
- 37 See Irvin et al, *In Place of Cuts*.
- 38 D Walker, *A Review of Corporate Governance in UK Banks and other Financial Industry Entities: Final recommendations* (London: HM Treasury, 2009), [www.hm-treasury.gov.uk/d/walker\\_review\\_261109.pdf](http://www.hm-treasury.gov.uk/d/walker_review_261109.pdf) (accessed 1 Feb 2010).
- 39 Allen, K, 'Campaigners blast Walker report on banks: trade unions, politicians and legal experts join assault on Walker reform proposals', *Guardian*, 26 Nov 2009, [www.guardian.co.uk/business/2009/nov/26/walker-report-attacked-by-campaigners](http://www.guardian.co.uk/business/2009/nov/26/walker-report-attacked-by-campaigners) (accessed 2 Feb 2010).

- 40 CA O'Reilly, BH Main and GF Crystal, 'CEO compensation as tournament and social comparison: a tale of two theories,' *Administrative Science Quarterly* 33, no 2 (1988); and MJ Conyon, *Executive Compensation Consultants: Empirical evidence from the United States and United Kingdom* (2007), [http://fmglse.ac.uk/upload\\_file/972\\_M\\_Conyon2.pdf](http://fmglse.ac.uk/upload_file/972_M_Conyon2.pdf) (accessed 2 Feb 2010).
- 41 W Davies, *Reinventing the Firm* (London: Demos, 2009).
- 42 LA Bebchuk and Y Grinstein, 'The growth of executive pay', *Oxford Review of Economic Policy* 21, no 2 (2005), [http://elsmar.com/pdf\\_files/Growth%20of%20Executive%20Pay.pdf](http://elsmar.com/pdf_files/Growth%20of%20Executive%20Pay.pdf) (accessed 2 Feb 2010); also see LA Bebchuk and JM Fried, *Pay Without Performance: The unfulfilled promise of executive compensation*. Cambridge and London: Harvard University Press, 2006).
- 43 I am grateful to Will Davies for the insight about the importance of market power, rather than simply merit, in determining executive rewards.
- 44 The government has indicated its interest in this agenda by setting up a review of corporate governance, led by Chris Hogg.
- 45 A Bruce, T Buck and BGM Main, 'Top executive remuneration: a view from Europe', *Journal of Management Studies* 42, no 7 (2005), <http://info.lut.ac.uk/departments/bs/staff/bstwb-remuneration.pdf> (accessed 1 Feb 2010); S Vitols, 'Varieties of corporate governance: comparing Germany and the UK' in PA Hall and D Soskice (eds), *Varieties of Capitalism: The institutional foundations of comparative advantage* (Oxford: Oxford University Press, 2001); and M Muller, 'Employee representation and pay in Austria, Germany, and Sweden', *International Studies of Management and Organisation* 29, no 4 (2000), [http://eprints.mdx.ac.uk/1405/1/Muller\\_-\\_employee\\_representation\\_&\\_pay.pdf](http://eprints.mdx.ac.uk/1405/1/Muller_-_employee_representation_&_pay.pdf) (accessed 1 Feb 2010).

- 46 Bruce et al, 'Top executive remuneration'.
- 47 I am grateful to David Coats for his thinking on this, including his proposal to use public funds for the training of workplace reps, which trade unions or other organisations could bid to provide.
- 48 This section draws on the thinking and ideas of Will Davies, especially his *Reinventing the Firm*.
- 49 'Employee owned companies shares perform better in the long term according to Employee Ownership Index', press release, Field Fisher Waterhouse, Dec 2008.
- 50 P Gregg and L Macmillan, *Family Income and Education in the Next Generation: Exploring income gradients in education for current cohorts of youth* (Bristol: Centre for Market and Public Organisation, Bristol University, 2009).
- 51 S Burgess et al, *School Choice in England: Background facts* (Bristol: Centre for Market and Public Organisation, Bristol University, 2006).
- 52 M Haddad (ed), *School Admissions: A report from the Social Market Foundation Commission* (London: Social Market Foundation, 2004).
- 53 See the Liberal Democrat paper for more evidence and explanation on this proposal.
- 54 ONS, *Wealth in Great Britain: Main results from the Wealth and Assets Survey 2006/08* (London: Office for National Statistics, 2009).
- 55 Ibid.
- 56 Ref from Lib Dem report.
- 57 This idea was first proposed in R Patrick and M Jacobs, *Wealth's Fair Measure: The reform of inheritance tax* (London: Fabian

Society, 2003).

- 58 Ben Jackson argued that leaders such as Franklin Roosevelt, Clement Attlee and David Lloyd George mobilised support by forging coalitions of middle and bottom against vested interests of top, using language of opportunity, security and fairness – rather than explicitly egalitarian language and goals. See B Jackson, ‘How to talk about redistribution: a historical perspective’, [www.historyandpolicy.org/papers/policy-paper-76.html](http://www.historyandpolicy.org/papers/policy-paper-76.html) (accessed 2 Feb 2010).
- 59 Bamfield and Horton, *Understanding Public Attitudes to Tackling Inequality*; Orton and Rowlingson, *Public Attitudes to Economic Inequality*.
- 60 Ibid.





## References

‘Employee owned companies shares perform better in the long term according to Employee Ownership Index’, press release, Field Fisher Waterhouse, Dec 2008.

Adam, S and Browne, J, *A Survey of UK Tax System* (London: Institute for Fiscal Studies, 2009), [www.ifs.org.uk/bns/bn09.pdf](http://www.ifs.org.uk/bns/bn09.pdf) (accessed 2 Feb 2010).

Alinsky, SD, *Rules for Radicals: A pragmatic primer for realistic radicals* (New York: Vintage Books, 1971).

Allen, K, ‘Campaigners blast Walker report on banks: trade unions, politicians and legal experts join assault on Walker reform proposals’, *Guardian*, 26 Nov 2009, [www.guardian.co.uk/business/2009/nov/26/walker-report-attacked-by-campaigners](http://www.guardian.co.uk/business/2009/nov/26/walker-report-attacked-by-campaigners) (accessed 2 Feb 2010).

Anderson, E, ‘What’s the point of equality?’, *Ethics* 109 (1999).

Atkinson, AB and Pitetty, T (eds), *Top Incomes Over the Twentieth Century: A contrast between European and English-speaking countries* (Oxford: Oxford University Press, 2007).

Bamfield, L and Horton, T, *Understanding Public Attitudes to Tackling Inequality* (York: Joseph Rowntree Foundation, 2009), [www.jrf.org.uk/publications/attitudes-economic-inequality](http://www.jrf.org.uk/publications/attitudes-economic-inequality) (accessed 1 Feb 2010).

## References

Barnard, A, *The Effects of Taxes and Benefits on Household Income, 2007/08* (London Office for National Statistics, 2009), [www.statistics.gov.uk/downloads/theme\\_social/Taxes-Benefits-2007-2008/Taxes\\_benefits\\_0708.pdf](http://www.statistics.gov.uk/downloads/theme_social/Taxes-Benefits-2007-2008/Taxes_benefits_0708.pdf) (accessed 1 Feb 2010).

Bebchuk, LA and Fried, JM, *Pay Without Performance: The unfulfilled promise of executive compensation*. Cambridge and London: Harvard University Press, 2006).

Bebchuk, LA and Grinstein, Y, 'The growth of executive pay', *Oxford Review of Economic Policy* 21, no 2 (2005), [http://elsmar.com/pdf\\_files/Growth%20of%20Executive%20Pay.pdf](http://elsmar.com/pdf_files/Growth%20of%20Executive%20Pay.pdf) (accessed 2 Feb 2010).

Brewer, M et al, *Poverty and Inequality in the UK: 2009* (London: Institute for Fiscal Studies, 2009), [www.ifs.org.uk/publications/4524](http://www.ifs.org.uk/publications/4524) (accessed 2 Feb 2010).

Brewer, M, Muriel, A and Wren-Lewis, L, *Accounting for Changes in Inequality Since 1968: Decomposition analyses for Great Britain* (London: Institute for Fiscal Studies, 2009), [www.ifs.org.uk/publications/4713](http://www.ifs.org.uk/publications/4713) (accessed 2 Feb 2010).

Brewer, M, Sibieta, L and Wren-Lewis, L, *Racing Away? Income inequality and the evolution of high incomes* (London: Institute for Fiscal Studies, 2008).

Bruce, A, Buck, T and Main, BGM, 'Top executive remuneration: a view from Europe', *Journal of Management Studies* 42, no 7 (2005), <http://info.lut.ac.uk/departments/bs/staff/bstwb-remuneration.pdf> (accessed 1 Feb 2010).

Burgess, S et al, *School Choice in England: Background facts* (Bristol: Centre for Market and Public Organisation, Bristol University, 2006).

Cameron, D, 'Putting Britain back on her feet', speech given on 8 Oct 2009, [www.conservatives.com/News/Speeches/2009/10/David\\_Cameron\\_Putting\\_Britain\\_back\\_on\\_her\\_feet.aspx](http://www.conservatives.com/News/Speeches/2009/10/David_Cameron_Putting_Britain_back_on_her_feet.aspx) (accessed 1 Feb 2010).

Canyon, MJ, *Executive Compensation Consultants: Empirical evidence from the United States and United Kingdom* (2007), [http://fmq.lse.ac.uk/upload\\_file/972\\_M\\_Canyon2.pdf](http://fmq.lse.ac.uk/upload_file/972_M_Canyon2.pdf) (accessed 2 Feb 2010).

Crosland, A, *The Future of Socialism* (London: Cape, 1957).

CSJ, *Dynamic Benefits: Towards welfare that works, a policy report from the Economic Dependency Working Group* (London: Centre for Social Justice, 2009).

Davies, W, *Reinventing the Firm* (London: Demos, 2009).

Gregg, P and Macmillan, L, *Family Income and Education in the Next Generation: Exploring income gradients in education for current cohorts of youth* (Bristol: Centre for Market and Public Organisation, Bristol University, 2009).

Haddad, M (ed), *School Admissions: A report from the Social Market Foundation Commission* (London: Social Market Foundation, 2004).

Hattersley, R, *Choose Freedom – The future of democratic socialism* (London: Penguin, 1987).

Horton, T and Gregory, J, *The Solidarity Society* (London: Fabian Society, 2009).

Irvin et al, G, *In Place of Cuts: Tax reform to build a fairer society* (London: Compass, 2009).

## References

Jackson, B, 'How to talk about redistribution: a historical perspective', [www.historyandpolicy.org/papers/policy-paper-76.html](http://www.historyandpolicy.org/papers/policy-paper-76.html) (accessed 2 Feb 2010).

Muller, M, 'Employee representation and pay in Austria, Germany, and Sweden', *International Studies of Management and Organisation* 29, no 4 (2000), [http://eprints.mdx.ac.uk/1405/1/Muller\\_-\\_employee\\_representation\\_&\\_pay.pdf](http://eprints.mdx.ac.uk/1405/1/Muller_-_employee_representation_&_pay.pdf) (accessed 1 Feb 2010).

Murphy, R, *The Missing Billions: The UK tax gap* (London: TUC, 2008).

O'Reilly, CA, Main, BH and Crystal, GF, 'CEO compensation as tournament and social comparison: a tale of two theories,' *Administrative Science Quarterly* 33, no 2 (1988).

OECD, *Growing Unequal? Income distribution and poverty in OECD countries* (Paris: Organisation for Economic Co-operation and Development, 2008).

ONS, *Wealth in Great Britain: Main results from the Wealth and Assets Survey 2006/08* (London: Office for National Statistics, 2009).

Orton, M and Rowlingson, K, *Public Attitudes to Economic Inequality* (York: Joseph Rowntree Foundation, 2007).

Patrick, R and Jacobs, M, *Wealth's Fair Measure: The reform of inheritance tax* (London: Fabian Society, 2003).

Paulus, A, Sutherland, H and Tsakloglou, P, *The Distributional Impact of In Kind Public Benefits in European Countries* (Bonn: Institute for the Study of Labor, 2009).

Reeves, R and Collins, P, *The Liberal Republic* (London: Demos, 2009).

Sen, A, *The Idea of Justice* (London: Allen Lane, 2009).

Tawney, RH, *Equality* (London: Allen & Unwin, 1937).

Toynbee, P and Walker, D, *Unjust Rewards: Ending the greed that is bankrupting Britain* (London: Granta, 2009).

Vitols, S, 'Varieties of corporate governance: comparing Germany and the UK' in PA Hall and D Soskice (eds), *Varieties of Capitalism: The institutional foundations of comparative advantage* (Oxford: Oxford University Press, 2001).

Walker, D, *A Review of Corporate Governance in UK Banks and other Financial Industry Entities: Final recommendations* (London: HM Treasury, 2009), [www.hm-treasury.gov.uk/d/walker\\_review\\_261109.pdf](http://www.hm-treasury.gov.uk/d/walker_review_261109.pdf) (accessed 1 Feb 2010).

Walzer, M, *Spheres of Justice: A defense of pluralism and equality* (New York: Basic Books, 1983).

Wilkinson, R and Pickett, K, *The Spirit Level: Why more equal societies almost always do better* (London: Allen Lane, 2009).

Wolff, J and De-Shalit, A, *Disadvantage* (Oxford: Oxford University Press, 2007).

## Demos – Licence to Publish

The work (as defined below) is provided under the terms of this licence ('licence'). The work is protected by copyright and/or other applicable law. Any use of the work other than as authorized under this licence is prohibited. By exercising any rights to the work provided here, you accept and agree to be bound by the terms of this licence. Demos grants you the rights contained here in consideration of your acceptance of such terms and conditions.

### 1 Definitions

- A **'Collective Work'** means a work, such as a periodical issue, anthology or encyclopedia, in which the Work in its entirety in unmodified form, along with a number of other contributions, constituting separate and independent works in themselves, are assembled into a collective whole. A work that constitutes a Collective Work will not be considered a Derivative Work (as defined below) for the purposes of this Licence.
- B **'Derivative Work'** means a work based upon the Work or upon the Work and other pre-existing works, such as a musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which the Work may be recast, transformed, or adapted, except that a work that constitutes a Collective Work or a translation from English into another language will not be considered a Derivative Work for the purpose of this Licence.
- C **'Licensor'** means the individual or entity that offers the Work under the terms of this Licence.
- D **'Original Author'** means the individual or entity who created the Work.
- E **'Work'** means the copyrightable work of authorship offered under the terms of this Licence.
- F **'You'** means an individual or entity exercising rights under this Licence who has not previously violated the terms of this Licence with respect to the Work, or who has received express permission from Demos to exercise rights under this Licence despite a previous violation.

### 2 Fair Use Rights

Nothing in this licence is intended to reduce, limit, or restrict any rights arising from fair use, first sale or other limitations on the exclusive rights of the copyright owner under copyright law or other applicable laws.

### 3 Licence Grant

Subject to the terms and conditions of this Licence, Licensor hereby grants You a worldwide, royalty-free, non-exclusive, perpetual (for the duration of the applicable copyright) licence to exercise the rights in the Work as stated below:

- A to reproduce the Work, to incorporate the Work into one or more Collective Works, and to reproduce the Work as incorporated in the Collective Works;
- B to distribute copies or phonorecords of, display publicly, perform publicly, and perform publicly by means of a digital audio transmission the Work including as incorporated in Collective Works; The above rights may be exercised in all media and formats whether now known or hereafter devised. The above rights include the right to make such modifications as are technically necessary to exercise the rights in other media and formats. All rights not expressly granted by Licensor are hereby reserved.

### 4 Restrictions

The licence granted in Section 3 above is expressly made subject to and limited by the following restrictions:

- A You may distribute, publicly display, publicly perform, or publicly digitally perform the Work only under the terms of this Licence, and You must include a copy of, or the Uniform Resource Identifier for, this Licence with every copy or phonorecord of the Work You distribute, publicly display, publicly perform, or publicly digitally perform. You may not offer or impose any terms on the Work that alter or restrict the terms of this Licence or the recipients' exercise of the rights granted hereunder. You may not sublicense the Work. You must keep intact all notices that refer to this Licence and to the disclaimer of warranties. You may not distribute, publicly display, publicly perform, or publicly digitally perform the Work with any technological measures that control access or use of the Work in a manner inconsistent with the terms of this Licence Agreement. The above applies to the Work as incorporated in a Collective Work, but this does not require the Collective Work apart from the Work itself to be made subject to the terms of this Licence. If You create a Collective Work, upon notice from any Licensor You must, to the extent practicable, remove from the Collective Work any reference to such Licensor or the Original Author, as requested.
- B You may not exercise any of the rights granted to You in Section 3 above in any manner that is primarily intended for or directed toward commercial advantage or private monetary

compensation. The exchange of the Work for other copyrighted works by means of digital file sharing or otherwise shall not be considered to be intended for or directed toward commercial advantage or private monetary compensation, provided there is no payment of any monetary compensation in connection with the exchange of copyrighted works.

- c If you distribute, publicly display, publicly perform, or publicly digitally perform the Work or any Collective Works, You must keep intact all copyright notices for the Work and give the Original Author credit reasonable to the medium or means You are utilizing by conveying the name (or pseudonym if applicable) of the Original Author if supplied; the title of the Work if supplied. Such credit may be implemented in any reasonable manner; provided, however, that in the case of a Collective Work, at a minimum such credit will appear where any other comparable authorship credit appears and in a manner at least as prominent as such other comparable authorship credit.

## 5 Representations, Warranties and Disclaimer

- A By offering the Work for public release under this Licence, Licensor represents and warrants that, to the best of Licensor's knowledge after reasonable inquiry:
  - i Licensor has secured all rights in the Work necessary to grant the licence rights hereunder and to permit the lawful exercise of the rights granted hereunder without You having any obligation to pay any royalties, compulsory licence fees, residuals or any other payments;
  - ii The Work does not infringe the copyright, trademark, publicity rights, common law rights or any other right of any third party or constitute defamation, invasion of privacy or other tortious injury to any third party.
- B except as expressly stated in this licence or otherwise agreed in writing or required by applicable law, the work is licensed on an 'as is' basis, without warranties of any kind, either express or implied including, without limitation, any warranties regarding the contents or accuracy of the work.

## 6 Limitation on Liability

Except to the extent required by applicable law, and except for damages arising from liability to a third party resulting from breach of the warranties in section 5, in no event will licensor be liable to you on any legal theory for any special, incidental, consequential, punitive or exemplary damages arising out of this licence or the use of the work, even if licensor has been advised of the possibility of such damages.

## 7 Termination

- A This Licence and the rights granted hereunder will terminate automatically upon any breach by You of the terms of this Licence. Individuals or entities who have received Collective Works from You under this Licence, however, will not have their licences terminated provided such individuals or entities remain in full compliance with those licences. Sections 1, 2, 5, 6, 7, and 8 will survive any termination of this Licence.
- B Subject to the above terms and conditions, the licence granted here is perpetual (for the duration of the applicable copyright in the Work). Notwithstanding the above, Licensor reserves the right to release the Work under different licence terms or to stop distributing the Work at any time; provided, however that any such election will not serve to withdraw this Licence (or any other licence that has been, or is required to be, granted under the terms of this Licence), and this Licence will continue in full force and effect unless terminated as stated above.

## 8 Miscellaneous

- A Each time You distribute or publicly digitally perform the Work or a Collective Work, Demos offers to the recipient a licence to the Work on the same terms and conditions as the licence granted to You under this Licence.
- B If any provision of this Licence is invalid or unenforceable under applicable law, it shall not affect the validity or enforceability of the remainder of the terms of this Licence, and without further action by the parties to this agreement, such provision shall be reformed to the minimum extent necessary to make such provision valid and enforceable.
- C No term or provision of this Licence shall be deemed waived and no breach consented to unless such waiver or consent shall be in writing and signed by the party to be charged with such waiver or consent.
- D This Licence constitutes the entire agreement between the parties with respect to the Work licensed here. There are no understandings, agreements or representations with respect to the Work not specified here. Licensor shall not be bound by any additional provisions that may appear in any communication from You. This Licence may not be modified without the mutual written agreement of Demos and You.





This project was supported by:



The quest for greater equality is a central mission in Labour politics. As the election approaches, the party needs a new egalitarian agenda to broaden and deepen its attack on inequality. The goal should be a Britain of powerful people in a reciprocal society – rooted in an understanding of shared fate and the ways a more equal society benefits us all.

This means challenging concentrations of power and structural injustice – harnessing the state, markets and society where possible, and curbing each where necessary. In government Labour has sometimes been too hands off with the market and too hands on with the state; too unwilling to challenge market outcomes, then overly reliant on the state as a corrective force. Both the state and markets can empower, but both can overpower too.

Labour should combine government's essential role in redistributing resources with the pursuit of 'active equality'. This means ensuring the rules of the game are democratic and egalitarian, so people have the real power to shape the outcomes they seek, alongside others. It lights the way towards a richer policy agenda and a more powerful case for equality consistent with Labour's core traditions and values.

Graeme Cooke is head of the Open Left project at Demos.

ISBN 978-1-906693-31-2 £10

© Demos 2010

