

## Can predistribution deliver responsible capitalism?

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Redistribution under Britain's New Labour government was aimed at minimum opportunities for the poor, rather than equal outcomes. But when inequality widened under Prime Ministers Blair and Brown it was as much to do with the kind of capitalism they promoted as timidity in their policies for redistribution<sup>1</sup>.

Current Labour leader Ed Miliband said last week that ramping up redistributive tools isn't viable at present. He argues we need a capitalism that levels things pre-distribution<sup>2</sup>.

But will his policies have the ambition to make this approach work? And is more post-hoc redistribution out of the question?

The 'predistribution' that Miliband spoke of has potential. It's not new and there's room for more detail<sup>3</sup>. But if you look at Labour reflections on 'responsible capitalism' over the past year<sup>4</sup> you can see where the policy proposals might be<sup>5</sup>.

Predistribution is about getting greater equality in the first place, before tax and benefits kick in to put inequities right. This is said to be a better option when there isn't more cash to share out at a time of deficit, and when the public who don't like inequality are also suspicious of redistribution<sup>6</sup>.

Miliband's Labour favour an industrial policy with an investment bank, rebalancing the economy from finance to manufacturing and to the kinds of services the UK is good at. The Labour leader says he'll support a shift from short-term risk-taking to long-termism, via measures such as greater influence for committed shareholders and a move away from the near-sightedness of quarterly reporting. Predistribution is a supply side idea about wages, training, skills and prices, but should also stimulate demand. Labour talk of investment in infrastructure like housing. There are things here for the left to find hope in.

For Miliband, predistribution is a supplement to redistribution not a replacement for it. Labour have called for the repeat of a bankers' bonus tax and last week Shadow Chancellor Ed Balls floated the possibility of a wealth tax. But he rested this on cross-party agreement with the coalition's LibDems, or just business secretary Vince Cable, a gambit designed to cause splits in the government. And Miliband says increasing tax credits for the poor can't be afforded.

Miliband has praised local Labour councils for using procurement to win living wage agreements. A living wage is a kind of predistribution. But he says it may be unaffordable nationally<sup>7</sup> and he's proposed tougher enforcement of the current minimum wage rather than increases to it<sup>8</sup>.

Strong trade unions could be a route for predistribution, fighting for fair pay and conditions. Asked about unions last week, Miliband said it was for them to reach

out and regain support. Unions need to change. But one reason for declining membership is lack of clout as a result of powers taken away by government, for instance the banning of secondary picketing. A Labour government should ensure union rights that underpin collective bargaining for predistribution.

Is predistribution too work-centered and, as New Labour were, rough on the needs of the non-working poor?<sup>9</sup> With a focus on wages and skills there's a danger of this. Unions are battling over pensions so more of a place for them can help secure predistribution after work. And some of this is about consumers. Miliband proposes restrictions on cartels and takeovers, and competition to tackle high prices in energy and transport. But one way of cutting prices in these areas would be public ownership, in place of fragmented competition subsidised by the state. The case is especially compelling for rail.

The suggestion that Labour can't afford more redistribution doesn't square with the party's criticism of greed at the top or with possibilities for wealth and transaction taxes<sup>10</sup> and clampdowns on tax avoidance. A majority of the British support a 75% tax on incomes of more than £1 million<sup>11</sup>.

Miliband doesn't talk about capitalism being responsible internationally, economic development shared with the global weak and poor. Immigration provides growth and resources for redistribution but he wants Labour to tighten up on it. Mention of green growth is under-developed.

It's more likely that Labour's policies for predistribution will lack ambition than be too far-reaching<sup>12</sup>. Measures need to be radical to make inroads into the scale of inequality in Britain. For instance, anyone who's been a union representative knows that proposed worker membership on remuneration committees can just be ignored.

If redistribution and predistribution are to entrench changes to wealth and income that can't be easily reversed, they also have to be about power. This means structural change to tip the balance in favour of workers and the non-working poor, against corporations and government. Otherwise a fairer distribution can just be evaded by big business or rolled back next time Labour lose an election.

Responsible capitalism is about ensuring the economy is linked to society and is fair. But responsibility to those with least purchasing power isn't what capitalism's about. Its aim is profit and it's responsive to those with wealth and the most income. If Labour wants responsible capitalism it will need to do things that conflict with capital.

Shortly before Tony Blair became Prime Minister he made a speech about stakeholding. It alluded to a more long-term social economy, not a million miles from Miliband's responsible capitalism. In the end Blair opted for Anglo-Saxon flexibility that let finance free and generated more inequality. We'll see whether Miliband carries through with responsible capitalism or whether he goes the same way New Labour did.

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- <sup>1</sup> <http://blogs.telegraph.co.uk/news/neilobrien1/100179750/predistribution-is-an-interesting-idea-but-what-exactly-is-ed-miliband-going-to-do-about-it/>
- <sup>2</sup> <http://www.labour.org.uk/labours-new-agenda>
- <sup>3</sup> <http://labour-uncut.co.uk/2012/09/07/predistribution-is-another-meaningless-phrase-in-place-of-actual-policy/>
- <sup>4</sup> <http://www.guardian.co.uk/commentisfree/2012/jan/09/responsible-capitalism-labour-david-cameron>
- <sup>5</sup> <http://www.ippr.org/juncture/171/9200/building-a-responsible-capitalism>
- <sup>6</sup> <http://labourlist.org/2012/09/the-public-are-firmly-behind-the-idea-of-predistribution/>
- <sup>7</sup> <http://blogs.ft.com/westminster/2012/01/ed-miliband-starts-to-flesh-out-his-responsible-capitalism-agenda/>
- <sup>8</sup> <http://www.politics.co.uk/comment-analysis/2012/06/22/ed-miliband-s-immigration-speech-in-full>
- <sup>9</sup> <http://labourlist.org/2012/09/ed-milibands-new-buzzword-is-predistribution-it-sounds-good-but/>
- <sup>10</sup> <http://www.neweconomics.org/blog/2012/08/29/why-clegg%E2%80%99s-one-off-wealth-tax-does-not-go-far-enough>
- <sup>11</sup> [classonline.org.uk/docs/YouGov-Class\\_Polling\\_Results\\_120522\\_Economic\\_Policies.pdf](http://classonline.org.uk/docs/YouGov-Class_Polling_Results_120522_Economic_Policies.pdf)
- <sup>12</sup> <http://labourlist.org/2012/09/eight-reasons-why-labour-should-think-twice-about-predistribution/>