

The Steady State Economy Conference

Working Towards an Alternative to Economic Growth

Policy Proposal

Workshop 3: Distribution of Income and Wealth

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Question: In a steady state economy, how can fair distribution of income and wealth be ensured?

Background

Evidence published in [*The Spirit Level*](#) by Richard Wilkinson and Kate Pickett (Penguin 2010), shows that there is a powerful tendency for more unequal societies to become socially dysfunctional. The authors look at the effects of inequality both among the rich developed countries and (to provide an independent test bed) among the 50 states of the USA. In each case, too much inequality seems to result in familiar signs of 'broken societies'.

Almost all the health and social problems which tend to be more common in the poorest neighbourhoods in each society are also very much more common in more unequal societies. Hence, in more equal societies, people enjoy better health and life expectancy, fewer people have drug problems, there is less violence, teenage birth rates are lower, child well-being is higher, there is less obesity, mental illness is less common, many fewer people are imprisoned, and there is more social mobility.

Central to these problems is the loss of cohesion in more unequal societies. Societies with smaller income differences between rich and poor tend to be friendlier and more cohesive: community life is stronger, people trust each other more, homicide rates are lower, and there is less bullying among school children.

One of the most important findings is that the benefits of great equality are not confined to the poor. Instead, the vast majority of the population does better in more equal societies. Even well educated, middle class people with good incomes will be likely to live longer, will be more involved in community life and less likely to suffer violence, while their children are likely to do better at school, less likely to take drugs, and less likely to become teenage parents. Though the benefits of greater equality are largest lower down the social ladder, they are still apparent near the top.

How do these effects work? The processes which produce a class gradient in each problem are intensified by greater inequality. Central are the stresses and insecurities which go with social status differences. High levels of inequality, therefore, tend to lead to unhealthy status competition, and to higher levels of material consumption than are necessary to meet people's needs, with negative consequences for the environment.

In terms of health, happiness and measures of wellbeing, [*The Spirit Level*](#) suggests that rich countries have come to the end of the social benefits of economic growth and rising material standards. Further improvements in the real quality of life now depend more on the quality of social relations in society than on higher levels of consumption. The evidence suggests that by narrowing income differences, we can improve the social and psychological well-being of the whole population.

In a steady state economy, a stable level of resource use would imply a stable, non-growing stream of total income. To alleviate poverty and reduce inequality, the issue of how to distribute this income needs to be dealt with explicitly.

Proposal

The Equality Trust promotes the idea of **economic democracy**. Whilst we support progressive taxation and generous welfare provision, we believe that the institutions that make up our economy, including companies and public and community services should be owned and controlled by the people who work in them, use their services or live in the communities around them. We believe that income inequality arises first and foremost in the workplace, and it is there that the remedies must start. **We therefore propose that policies that promote employee ownership, mutual and friendly societies, co-operatives and other models of democratic company ownership are key to reducing inequality and creating a steady state democracy.** We have to transform the very nature of our economy in order to achieve the healthier, happier and sustainable society we all want, and this requires fundamental change in our income-generating institutions rather than top-down solutions requiring redistribution of income and wealth – which can be overturned by any new government.

Information Resources

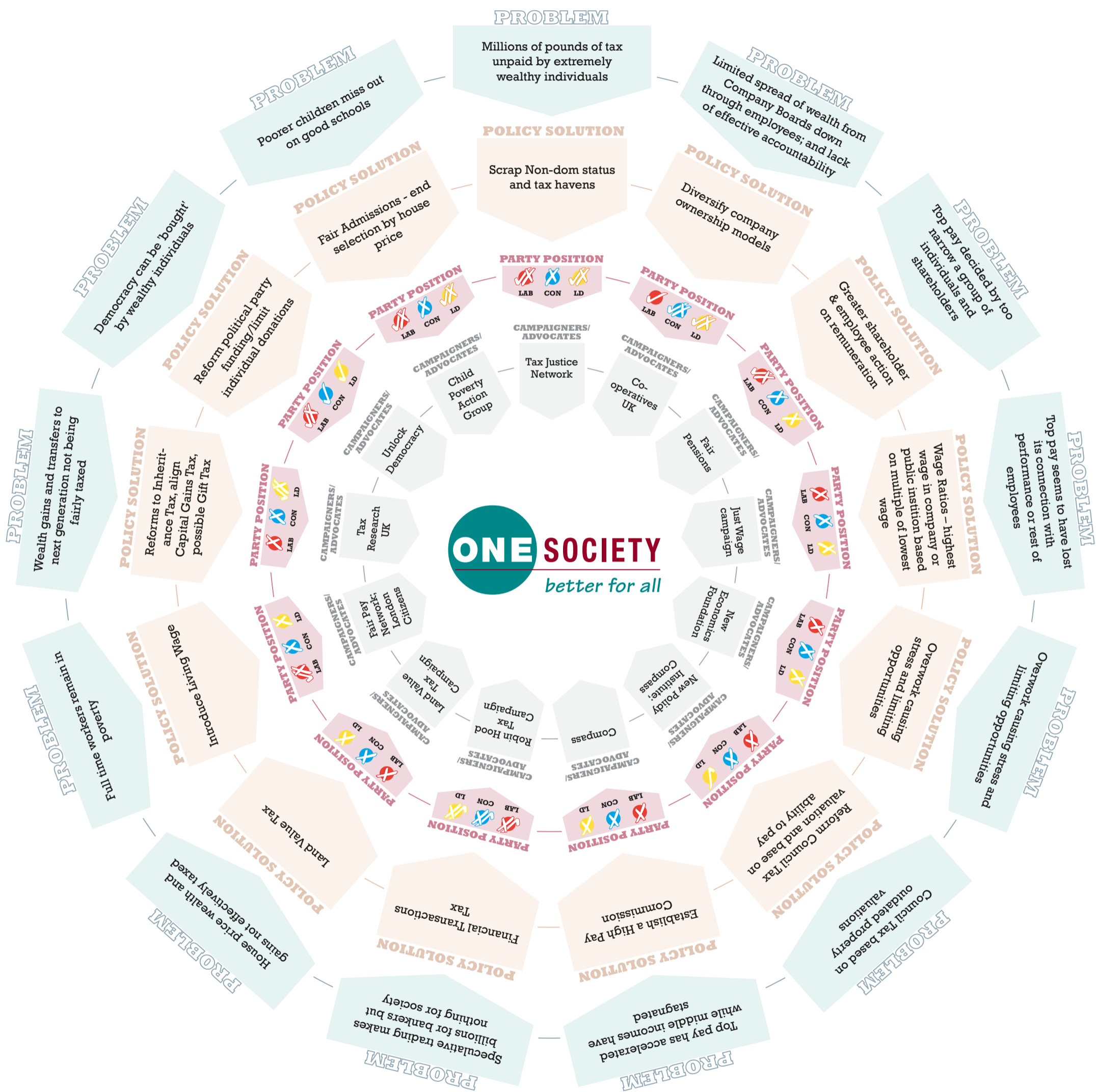
The Equality Trust
www.equalitytrust.org.uk
(see especially *Resources*)

One Society
www.onesociety.org.uk

[*The Spirit Level*](#) by Richard Wilkinson and Kate Pickett. Penguin, 2010

[*Injustice*](#) by Danny Dorling. Policy Press, 2010

The evidence, the policies and the support are converging in favour of taking decisive action to tackle the gap between rich and poor



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NB The policies outlined above originate from a series of pamphlets published by Demos in Feb 2010. The pamphlets were commissioned by One Society and focused on ways of approaching the issue of income and wealth inequality from each party's perspective. 'Society of Equals', 'Wealth of Opportunity' and 'Everyday Inequality' are available free to download on www.onesociety.org.uk/publications. The Parties' positions are taken (or inferred) from their General Election 2010 manifestos.