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Equality, Sustainability and Wellbeing

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1 This paper is based on material from the following: **Wilkinson R, Pickett K**. *The Spirit Level: why more equal societies almost always do better*. London: Penguin, 2010; **De Vogli R**. *Progress or Collapse: The Crises of Market Greed*. London: Routledge, 2013; **Pickett K**. Reducing Inequality: An essential step for development and wellbeing. *Progressive Economy* Autumn 2013; **Wilkinson R, Pickett K.** Reducing inequality through economic democracy. *Progressive Economy* Spring 2014; **Wilkinson RG and Pickett KE**, The world we want. *International Labour Review*, Spring 2014; **De Vogli R**. Inequality and the environmental crisis: time to dethrone global neoliberalism. *Progressive Economy* Spring 2014.

INTRODUCTION

Over the next generation or so, politics seem likely to be dominated either by efforts to prevent runaway global warming or, if they fail, by attempts to deal with its consequences. Carbon emissions per head in rich countries are between two and five times higher than the world average. But cutting their emissions by a half or four-fifths will not be enough: world totals are already too high and allowances must be made for economic growth in poorer countries. In this paper, we consider how greater equality and policies to reduce carbon emissions need to be considered simultaneously.

When people think about how to move our societies towards sustainability, they usually think simply about reducing our collective environmental impact. But the related question, of how human wellbeing can be produced more efficiently, is often ignored. Modern economic systems are disastrously inefficient ways of producing wellbeing. The vast majority of people in rich countries live at historically unprecedented standards of comfort and luxury. Yet between 10 and 25 percent of their populations suffer some form of mental illness each year (as measured by WHO standard diagnostic questionnaires). [1]

That wellbeing and National Income per capita have parted company in richer countries has been shown many times. [3-6] But what should we do if we want to maximise wellbeing at the same time as moving towards sustainability? Greater equality has a central role to play in achieving both objectives. Reducing the income gap between rich and poor can help free us from consumerism – the greatest threat to sustainability – while at the same time making powerful direct contributions to the wellbeing of whole societies.

THE IMPACT OF INCOME INEQUALITY

Social and economic inequality increases the power and importance of social hierarchy, status and class. [7] *As a result, a long list of problems more common further down the social ladder – in poorer neighbourhoods for instance – are much more common in societies with larger income differences between rich and poor.* [2 8 9] *(Figure 1) Although the impact of inequality tends to be most severe lower down the social ladder, outcomes are worse even among the better off, because inequality damages the whole social fabric of a society – increasing social divisions, status insecurity and status competition.* [9] *Indeed, it is because a large majority of the population – not just the poor – are affected by inequality that the differences in the performance of more and less equal societies are so large. The scale of the differences varies from one health or social problem to another, but they are all between twice as common and ten times as common in more unequal societies compared to more equal ones.*

Although in the rich, developed countries, income inequality is related to indicators of health and social wellbeing, levels of average income (GDP per capita) are not. Reducing inequality is the most important step these countries can take to increase population well-being. In the developing and emerging economies, both greater equality and improvements in standards of living are needed for populations to flourish.

A large and well-established body of evidence shows that very large income differences within countries are damaging. Analyses include both cross-sectional research and studies of changes in income distribution over time. There is a particularly large body of evidence linking greater inequality to worse population health; hundreds of studies show us that life expectancy is longer, and mortality lower, in more equal societies, [8 10-14] rates of infant mortality, mental illness and obesity are two to four times higher [1 2 15-17] and, in both developing and developed countries, HIV infection prevalence rises with inequality. [18 19]

There is also substantial evidence linking greater equality to better social relationships within societies –levels of social cohesion, including trust and social capital, are higher in more equal countries, [20-24] indicators of women's status and equality are generally better [7 25] and rates of both property crime and violence, especially homicides, increase as income differences widen. [21 26-31]

Inequality wastes human capital and human potential. The UNICEF Index of Child Wellbeing is significantly higher in more equal societies,[32] educational attainment is higher, fewer young people drop out of education, employment and training, and fewer teenage girls become mothers. [2 32 33] Notably, social mobility is restricted in very unequal societies – equality of opportunity is shaped by equality of outcomes. [2 34]

In addition to its impact on health and social outcomes, greater equality is also linked to economic progress and stability. Poverty reduction, and hence development, is compromised by income inequality.[35 36] In rich and poor countries, inequality is strongly correlated with shorter spells of economic expansion and less growth over time [37 38] and with more frequent and more severe boom-and-bust cycles that make economies more volatile and vulnerable to crisis. [38] As an International Monetary Fund report put it – reducing inequality and bolstering longer-term economic growth may be 'two sides of the same coin'. [37]

GLOBAL INEQUALITY

Global income inequality remains high. Estimates show that 8% of the world's population earns half the world's income, leaving 92% earning the other half, [39] and the richest 20% of all adults own 84% of global household wealth, while the poorest fifth of the world owns less than 1%. [40] More than two thirds of the world's people live in countries where income disparities have risen since 1980. According to the UN System Task Team on the Post-2015 UN Development Agenda, "High inequalities have impeded sustainable development and have no place in a world where a decent and secure well-being should be a prerogative of all citizens."

Inequality is caused by political and social factors, historical and contemporary, that result in unequal opportunities and access, inequalities in empowerment, unequal power relations, exclusion, oppression and domination. [41] Inequalities in income are correlated with inequalities of wealth and power, although these are less easy to measure and compare across countries. These 'vertical' inequalities reflect the degree to which societies are hierarchical and how they are structured by social class, education, etc. Inequalities of income, wealth and power are linked to inequalities in access to resources (including natural resources), services, information, justice and protection. They also intersect with 'horizontal' inequalities of identity, such as gender, ethnicity, religion, disability, etc. These intersections reproduce inequality in vicious cycles, which trap people in poverty and social and economic exclusion. Groups that suffer prejudice, stigma and exclusion suffer even more in societies where status is more important.

The intersection of inequality and sustainability is such that achieving sustainability without reducing inequality is impossible, just as it has long been known that climate change and poverty are intertwined. The impact of climate change on agricultural production and food security, water insecurity, rising sea levels, climate disasters and degradation of ecosystems have more impact on the poor than on the rich. This heightens the risk of conflict over resources and migration and the conflict between rich and poor nations; poor women and children are at particular risk. Inequality is created and reinforced by unequal access to land and other resources. In Latin America, the Caribbean, and parts of sub-Saharan Africa, colonisation resulted in highly unequal land tenure, contemporary industrialisation of agriculture has the same effect - large farm/plantation systems, where landlords have a monopoly of labour making investment in human capital less rewarding and reducing the incentives for provision of public goods such as infrastructure or irrigation.[41]

According to WHO, environmental degradation is a major contributory factor to poor health and poor quality of life, poor populations living in rural and periurban areas are at greatest risk. Cumulative effects of inadequate and hazardous shelter, overcrowding, lack of water supply and sanitation, unsafe food, air and water pollution, and high accident rates, have serious effects, causing 25% of preventable ill health, two-thirds of this among children. [42]

THE ROLE OF GLOBALIZATION

In recent decades, deregulation of trade and finance have been accompanied by an acceleration of global economic inequalities. After a stable period in the 1960s, global wealth inequality rapidly increased between 1970 and 2010 during the era of 'neoliberal' globalization.

One of the mechanisms explaining the rapid increase of global economic inequality relates to the rise of transnational corporations (TNCs) (mostly based in developed nations) that have accumulated a spectacular amount of wealth in the last few decades. A recent study revealed that 1,318 global companies collectively own, through their shares, the majority of the world's largest manufacturing firms and blue chip companies, representing about 60% of global revenues. The same study also showed, however, that a "super-entity" of 147 companies, less than 1% of the total, controls about 40% of the entire wealth in the network. When considering global financial actors such as hedge funds, private pension funds, mutual funds, investment banks and insurance companies, concentration of wealth reached even more grotesque proportions. In 2010, 6 banks—Bank of America, JP Morgan Chase, Citigroup, Wells Fargo, Goldman Sachs and Morgan Stanley—controlled about 60% of the US gross domestic product (GDP).

The last decades of increasing inequality have also been characterised by an acceleration of ecological degradation and material consumption leading to a series of multiple, converging global environmental crises. Rapid climate change and unsustainable depletion of natural resources including oil, water, fish and food indicate that humanity is on a collision course against the limits of the ecosystem. Evidence on the progressive warming of the climate system due to increased global concentrations of carbon dioxide, methane, and nitrous oxide resulting from human activities is unequivocal. Widespread melting of snow and ice, rising global mean sea level, catastrophic flooding and heat-waves are signs of a progressive ecological deterioration whose consequences may include the collapse of modern civilization. Environmentalists propose that the aim of humanity should be to stop average global temperatures from rising to more than 2 degrees above the pre-industrial level. The ceiling of two degrees is considered the "point of no return", the critical threshold at which some of the non-linear positive feedbacks of the eco-system are expected to occur and produce irreversible changes in terms of climate stability. It now looks likely that this 2 degree limit will be exceeded. [43]

The resolution of the global environmental crisis requires a rapid decarbonisation of the economy together with profound economic, political and behavioural changes achievable through coordinated international action. However, a large body of evidence indicates that excessive global inequality creates major obstacles to the adoption of international environmental agreements and undermines effective international cooperation for the resolution of global ecological crises. These inequalities erode conditions of generalized trust and promote widespread disagreement about what is to be considered "fair" or "equitable" solutions to the climate change crisis: while poor nations fear limits to their efforts to grow economically and meet the needs of their own people, some powerful rich countries refuse to cut their own excesses unless developing countries make similar efforts. It is a classic example of the "tragedy of the commons" in which everybody loses unless the players start to cooperate and move beyond their narrow short-term interest. Indeed, if we do not take effective measures to confront the climate crisis and reduce international inequality, ecological collapse due to climate change and rapid depletion of natural resources will be much harder to avoid.

SUSTAINABILITY AND THE QUALITY OF LIFE

Ever since the Brandt Report in 1980 people have suggested that social and environmental sustainability go together. It is fortunate that just when the human species discovers that the environment cannot absorb further increases in emissions, we have also learned that further economic growth in the developed world can no longer improve health, happiness, or measures of wellbeing. On top of that, we have now seen that there are ways of improving the quality of life in rich countries without further economic growth.

But if we do not need to consume more, what would be the consequences of consuming less? Would making the necessary cuts in carbon emissions mean reducing present material living standards below what people in the rich world could accept as an adequate quality of life? Is sustainability compatible with retaining our quality of life?

Figure 2 which shows that low infant mortality rates can be achieved without high levels of carbon emissions. Clearly many countries achieve levels of infant mortality as low as the richest countries while producing much less carbon. However, a more comprehensive answer to the question comes from the World Wildlife Fund (WWF) which analysed data relating the quality of life in each country to the size of the ecological footprint per head of population.[44] To measure the quality of life they used the UN Human Development Index (HDI) which combines life expectancy, education and Gross Domestic Product per capita.

Figure 3 uses WWF data to show the relation between each country's ecological footprint per head and its score on the UN Human Development Index. Scarcely a single country combines a quality of life (above the WWF threshold of 0.8 on the HDI) with an ecological footprint which is globally sustainable. Cuba is the only one which does so. Despite its much lower income levels, its life expectancy and infant mortality rates are almost identical to those in the United States.

The fact that at least one country manages to combine acceptable living standards with a sustainable economy, proves that it can be done. However, because the combination is achieved without access to the greenest and most fuel-efficient technology it could be achieved more easily in countries with access to more advanced technology than Cuba has. With the advantages of power generation from renewables, environmentally friendly new technologies, and greater equality, it must be possible to combine sustainability with a high quality of life. Before leaving **Figure 3** it is worth noting that much of the reason why the highest scores on the HDI are achieved by countries with the largest ecological footprints is merely a reflection of the fact that Gross Domestic Product per head is one of the components of the HDI.

PATHWAYS FROM INEQUALITY TO UNSUSTAINABILITY

Inequality is a central obstacle to the transition to sustainable development that "meets the needs of the present without compromising the ability of future generations to meet their own needs" [45] and to development that balances economic, social and environmental concerns. Inequality puts the environment at risk through three main mechanisms:

- Inequality drives status competition and anxiety, which drives individualism, materialism, and consumerism, and therefore overconsumption and waste. [7,46] More unequal developed countries have bigger ecological footprints – per capita, they consume more meat and water, produce more waste and take more airplane flights.[47]

- Consequent to greater social cohesion, more equal societies promote the common good – they recycle more, spend more on foreign aid, score higher on the Global Peace Index and their business leaders rate international environmental agreements more highly. [7,48]

- Among countries and US states, biodiversity loss is linked to income inequality and prioritising equality does far less harm to ecosystems than growth, most likely through (a) the industrialisation of agriculture, and (b) the transference of wealth into investment - while the poor must spend most of their income on necessities, the rich invest to make themselves even richer. [49,50]

CONSUMPTION AND CONSUMERISM

Smaller income differences between rich and poor mean that people are less driven by the status competition that intensifies consumerism. The data confirm what many people have always thought: that inequality is divisive and socially corrosive. It damages social cohesion, weakens community life and reduces people's sense that they can trust others; life becomes more stressful and more dominated by status competition and status insecurity.

In more unequal societies people judge each other more by money and social position. As a result money becomes even more important: it is how we show what we are worth. This is why people in more unequal societies work longer hours, save less, and get into debt more. The implication is that if we are to rein in consumerism we must reduce the inequality which tends to amplify our worries about social comparisons and status.

Greater equality gives us the crucial key to reducing the cultural pressure to consume. In a period when people seem to have been less guarded, Henry Wallich, a former governor of the Federal Reserve and professor of economics at Yale, said 'Growth is a substitute for equality of income. So long as there is growth there is hope, and that makes large income differentials tolerable'. [51] But this relation holds both ways round. It is not simply that growth is a substitute for equality - it is that greater equality makes growth much less necessary.

A great deal of what drives consumption is status competition. For most of us it probably feels less like being competitive and more like a kind of defensiveness: if we don't raise our standards, we get left behind and everything starts to look dowdy, shabby, and out of date. The economist, Robert Frank, has described how standards are inherently relative and involve comparisons with others. In his book *Falling Behind: how rising inequality harms the middle class* (2007), he puts it like this: [52]

> "No one denies that a car experienced in 1950 as having brisk acceleration would seem sluggish to most drivers today. Similarly, a house of given size is more likely to be viewed as spacious the larger it is relative to other houses in the same local environment. And an effective interview suit is one that compares favorably with those worn by other applicants for the same job. In short, evaluation depends always and everywhere on context".

The problem is that second class goods make us look like second class people. By comparison with the rich and famous, the rest of us appear second rate and inferior, and the bigger the differences, the more noticeable and important they become. As inequality increases status competition, we have to struggle harder to keep up. While the rich may believe their willingness to spend huge sums on a watch, a car, or some other luxury item reflects their appreciation of the "attention to detail" or "craftsmanship", what really makes the difference is what their purchases say about them relative to the rest of us. As every advertiser knows, it serves to set them apart as people of distinction – social distinction. Only the best people can have nothing but the best.

The other side of this coin is that the consumption of the rich reduces everyone else's satisfaction with what they have, by showing it up as inferior – as less than the best. Layard, in his book *Happiness*, treats this dissatisfaction as a cost which the rich impose on the rest of society. [53] He calculated the loss of satisfaction, or happiness, among the rest of the population and concluded that a 60 percent tax rate on the better off might cover that cost (presumably that should be over and above the tax rates other people pay).

The idea that inequality ratchets up the competitive pressure to consume is not just speculation. It has observable effects. While inequality has been rising in the US and Britain, there has been a long term decline in savings and a rise in debt. Frank notes that in 1998, even though the American economy was booming as never before, one family in 68 filed for bankruptcy – four times the rate in the early 1980s before the most dramatic rises in inequality. [52] By 2002, unpaid credit card debt was $9,000 for the average card holder. Looking at changes over a ten year period, Frank found that bankruptcy rates rose most in parts of the USA where inequality had risen most. [52 54] Indeed, it seems possible that the growth of inequality may have been behind the pre-crash long economic boom fuelled by ever expanding consumer demand and increasing debt. If so, it was a response to the ratcheting up of dissatisfaction. This fits well with the fact that spending on advertising also varies with inequality – in more unequal countries a higher proportion of gross domestic product is spent on advertising, with the USA and New Zealand spending twice as much as Norway and Denmark. [6]

Another indicator of how inequality increases the pressure to consume comes from the way working hours vary in different countries in relation to inequality. A study of working hours in OECD countries showed not only that more unequal countries tend to have longer working hours, but also that differences in working hours changed in line with changes in inequality over several decades. [55] People in more unequal countries do the equivalent of two or three months' extra work a year. A US study found that married women were more likely to go out to work if their sister's husband earned more than their own husband. [56] A similar study suggested that the decisions married women make about taking paid work are also affected by less personal inequalities: it looked at women who were married to employed men and found that they were more likely to take a job themselves if they lived in an area in which men's incomes were more unequal. [57]

The evidence on savings, debt, bankruptcy rates, spending on advertising and working hours, all concurs with the view that inequality does indeed increase the pressure to consume. If an important part of consumerism is driven by emulation, status competition, or simply having to run to keep up with everyone else, and is basically about social appearances and position, this would explain why we continue to pursue economic growth despite its apparent lack of benefits. If everyone wants more money because it improves self-image and status in relation to others, then each person's desire to be richer does not add up to a societal desire for economic growth. How much people's desire for more income is really a desire for higher status has been demonstrated in a simple experiment. People were asked to say whether they'd prefer to be less well off than others in a rich society or, have a much lower income in a poorer society but be better off than others. Fifty percent of the participants chose to live on half the real income in a society where they would be better off than others. [58]

Veblen's Theory of the Leisure Class, published in 1899, was the first major work on the relationship between consumption and social stratification.[58] It was he who introduced the term 'conspicuous consumption' and emphasised the importance of 'pecuniary emulation' and 'invidious comparisons'. Because the advertising industry plays on insecurities about how we are seen, it has made us more aware of the psychology of consumption. But Veblen wrote long before we were so bombarded with advertising, which simply amplifies and makes use of vulnerabilities which are there anyway. Economists now use the term 'Veblen effect' to refer to the way goods are chosen for their social value rather than their usefulness. And research confirms that the tendency to look for goods which confer status and prestige is indeed stronger for things which are more visible to others.

Too often consumerism is regarded as if it reflected a fundamental human material self-interest and possessiveness. Instead our drive to shop and consume is a reflection of how deeply social we are. Living in unequal and individualistic societies, we use possessions to show ourselves in a good light, to make a positive impression, and to avoid appearing incompetent or inadequate in the eyes of others. Consumerism shows how powerfully we are affected by each other. Once we have enough of the basic necessities for comfort, possessions matter less and less in themselves, and are used more and more for what they say about their owners. Ideally, our impressions of each other would depend on face to face interactions in the course of community life rather than on outward appearances in the absence of real knowledge of each other. This links to the evidence, discussed above, that inequality weakens social cohesion. The weakening of community life and the growth of consumerism are related.

If, to cut carbon emissions, we need to severely limit economic growth in the rich countries, then it is important to know that this does not mean sacrificing improvements in the real quality of life – in the quality of life as measured by health, happiness, friendship and community life. We need to create more equal societies able to meet our real social needs. Instead of policies to deal with global warming being experienced simply as imposing limits on the possibilities of material satisfaction, they need to be coupled with egalitarian policies which steer us to new and more fundamental ways of improving the quality of our lives. The change is about a historic shift in the sources of human satisfaction from economic growth to a more sociable society.

REDUCING INEQUALITY

There are many ways to reduce inequality. Easier targets include the massive scale of tax avoidance among both the super-rich and large corporations. That should include international action to close down tax havens. But a weakness of relying too much on reinstating redistributive taxes and social security systems is that progress can be undone at the stroke of a pen by a new incoming government. Much more important in the long run is to reduce income differences before tax. Big corporations have two functions – to provide the goods and services we all need, and to concentrate wealth and power. We need the first, but not the second. Income differences within the largest corporations have typically widened 10-15 fold in the last 30 years. The bonus culture reveals the lack of any effective democratic accountability at the top. A solution is to pursue all forms of greater economic democracy – legislation requiring employee representatives on company boards and remuneration committees (as exists in more progressive countries), systems of tax advantages to employee owned companies, cooperatives and mutuals, plus funds providing loans to assist employee-buy outs.

Contraction & convergence to tackle climate change is based on the principle that each individual person has an equal entitlement to the atmosphere. Using each country's income distribution to estimate how its average CO_2 emissions are distributed across its citizens, Chakravarty and colleagues have proposed a new framework for allocating a global carbon reduction target across nations. [59] Others have suggested a global carbon tax combined with an aggressive pro-poor redistribution scheme to offset the potential regressive effects of the tax.

A new global financial architecture is needed to prevent future global economic crises. International laws and regulations against speculation, inequality and excessive capital movement could become key incentives for high employment, poverty reduction and green development and economic initiatives.

The regulation of transnational corporations through global agencies charged with monitoring and regulating the practices of transnational corporate powers, such as the UN Center on Transnational Corporations (UNCTC), the UN Code of Conduct for TNCs (and the revocation of corporate charters and expulsion of a corporation when necessary) are needed to regulate the possible abuses of large companies in terms of human rights, workers' conditions and the environment. Nationalisation of resources can ensure that the whole population benefits from resources within a territory, rather than profits going to private interests. Bolivia has embarked on the nationalisation of the Bolivian oil and gas fields. Previously, privatisation of services and resources had resulted in declining government revenues, and an on-going economic crisis, re-balancing the share of additional profits from rises in oil prices. Instead of private companies taking 82% of the extra earnings, and the state receiving just 18%, these percentages were reversed. In Alaska, state oil resources are used to provide a basic minimum income for all state residents. [60]

In our research we have found that some of the more equal societies gain their greater equality by redistribution, but others start out with smaller differences in pre-tax incomes.[7] The social benefits of greater equality do not seem to depend on how greater equality is attained. All forms of increased economic democracy, (e.g., employee representation on company boards, cooperatives, employee ownership, stronger trade unions) can help to reduce inequality and corporate power. [61]

The widening income differences seen in so many countries are primarily a reflection of a tendency for top income to grow faster than incomes throughout the rest of society. Over the last few decades large international corporations have been powerful generators of inequality. From the 1970s to the early 1980s, the CEOs of the largest 350 US companies were paid 20 or 30 times as much as the average production worker. By the first decade of the 21st century they were getting between 200 and 400 times as much.[62] Among the 100 largest UK companies (FTSE 100 companies), the average CEO received just above 300 times the minimum wage.[63] Though differentials have widened in most countries they have usually done so less rapidly than in the USA. Top pay has, at best, been only very weakly related to company performance. In the absence of strong trade unions and an effective labour movement, the trends seem to reflect a lack of any effective democratic constraint on top incomes. If that is so, then part of the solution is to build effective constraints by extending democracy into our economic institutions.

THE IMPORTANCE OF THE LABOUR MOVEMENT

The long term changes in inequality for many developed countries show a 'U'-shaped pattern of change during the 20th and early 21st centuries, with high inequality until the 1930s followed by a long decline until sometime in the 1970s. Then, from around 1980 or a little later, inequality starts to grow again until, by the early 21st century, some countries have returned to levels of inequality not seen since the 1920s.

This pattern reflects the strengthening and then the weakening of the labour movement during the 20th century. As trade union membership declined, inequality increased and within individual countries, union membership and inequality track closely. [64]

The connection between trade union membership and inequality should not be seen simply as a reflection of what trade unions manage to do for the wages of their members. Instead, the relationship indicates the strengthening and then the weakening of the overall political and ideological influence of progressive movements. The rise in inequality since around 1980 is almost certainly largely attributable to the political power of neoliberal ideology. To gain substantial reductions in inequality in the future will require the recreation of a sustained political movement.

The role of politics – as opposed to strictly market forces – in the 20th century reduction and subsequent widening of inequality is also confirmed by a World Bank Report on the eight countries (Japan, Republic of Korea, Taiwan, Singapore, Hong Kong, Thailand, Malaysia, Indonesia) which used to be known as the 'tiger economies'.[65] It describes how, with well-publicised programs of "shared growth" they all deliberately reduced their income differentials during the period 1960-1980. Policies variously included land reform, subsidies to lower fertilizer prices to boost rural incomes, wealth sharing programs, large scale public housing programs, and assistance to worker cooperatives. The World Bank report says that in each case governments reduced inequality primarily because they faced challenges to their legitimacy, often from communist rivals, and needed to win wider popular support. For example, South Korea faced North Korea, Taiwan and Hong Kong faced the claims of China, and communist guerrilla forces operated widely. So here, as in the rich developed countries, it is a mistake to think that the main changes in inequality have resulted simply from impersonal market forces rather than from political and ideological processes.

We need to increase employee representation on company boards and expand the share of the economy made up of mutuals, cooperative, employee owned companies and social enterprises. More democratic companies tend to have much smaller pay ratios among their staff. In the Mondragon group of cooperatives in Spain (which has 84,000 employees and annual sales of £13billion) pay ratios average around 1:5. In large public sector organisations ratios are usually between 1:10 and 1:20. Around half the countries belonging to the European Union have some kind of legal provision for employee representation on company boards. The various different provisions in Europe are on the Eurofound web site at: http://www.eurofound.europa.eu/eiro/1998/09/study/tn9809201s.htm. Some of the provisions are very weak: they need to be substantially strengthened and adopted by all countries.

It is clear that the stakeholder owned business sector is growing and resilient.[66] Co-operatives in the UK outperformed the economy in the four years leading up to 2012, the social enterprise sector is growing and out-performing the small and medium sized private business sector and employee owned companies have been creating new jobs faster than more traditional companies – they also pay higher wages and are just as profitable. The general public likes more democratic companies, research by Co-Ops UK in 2010 found they were viewed as honest, trustworthy and a good way to run a business, whereas private companies were viewed as cut-throat and greedy.[67]

As well as smaller income differences and good economic performance, cooperatives, employee owned companies and others in the stakeholder business sector have other advantages. Community life has weakened substantially in rich countries over the last generation but, as Oakeshott remarks; an employee buyout can turn a company from being a piece of property into a community.[68] Perhaps a stronger sense of community at work could replace the sense of community that has declined in residential areas. It is also likely that less hierarchical structures at work could begin to change the experience of work making it possible for more people to gain a sense of self-worth and of being valued from their employment. Certainly, people's sense of lack of control at work, their sense of unfairness, and effort-reward imbalance have each been linked to worse health and wellbeing.[69]

The scales of top pay and of tax avoidance are two indications of how problematic the mismatch between profit seeking and the public interest can be. Others include corporate funded opposition to scientific evidence of harm associated with company products such as the role of fossil fuel companies opposing climate science, the manipulation of regulatory bodies set up to safeguard the public interest, and the purchase of political influence on a scale which threatens the effective functioning of democratic institutions.[24] Freudenberg, in his *Lethal but Legal: Corporations, Consumption, and Protecting Public Health*, suggests that the conflict between the public interest and profit seeking in big corporations is now a major threat to public health.[70][71]

Considerations such as these are likely to have contributed to the resurgence of interest in more democratic economic institutional structures.
But at the same time, traditional systems of share ownership have become increasingly inappropriate systems for controlling modern companies. A report called *Workers on Board*, from the British Trade

Union Congress, points out how in the 1960s most shares were owned by individuals with a long term interest in a small number of companies.[72] But in many countries the vast majority of shares are now owned by financial institutions which spread their investments across hundreds or even thousands of companies, make money through short-term share trading, and have little or no knowledge or long term interest in the companies in whose shares they deal. The TUC report says that this has reached a point where a large listed company may have thousands or tens of thousands of shareholders and find it difficult even to get full information on who they are.

At the same time modern production increasingly involves the integration of the expertise and knowledge of many highly educated people – so much so that the value of a company is now less a matter of its buildings and capital equipment than the value of the integrated group of employees with their skills and know-how. This means that buying and selling a company amounts to buying and selling a group of people – an appallingly anachronistic process, especially when that group of people could be running their own company democratically.

It may seem utopian to imagine how the stakeholder owned business sector can ever compete at scale with large, multinational corporations and the increasing concentration of capital in fewer and fewer hands, but governments can use fiscal incentives and legislative frameworks to gradually expand economic democracy.

SOCIAL POLICY

Some countries have dramatically reduced inequalities in health, education, and opportunities through effective social policy – by 2000, Chile had reduced its child mortality rate dramatically, through the provision of a national health service and investment in primary care; Malawi eliminated school fees in the 1990s and primary school enrollment jumped from 50% to over 90% by 1999; and Brazil halved child labour rates through legislative regulation combined with financial attendance conditional on school attendance. [73] A global fund for social protection, as proposed by the International Labor Office (ILO), WHO and others would provide a "floor" of social policies including guarantees of: basic income security, in the form of various social transfers (in cash or in kind) such as pensions for the elderly and persons with disabilities, child benefits, income support benefits and/or employment guarantees and services for the unemployed and working poor; universal access to essential affordable services in health, water and sanitation, education, food security, housing, etc. This could be funded through either global taxes (these might include tax on speculative transactions, stock exchange transactions, profits of transnational corporations, taxes on carbon, plutonium and air transport) and/or a Robin Hood Tax on speculative dealings in foreign currencies, shares and other securities of 0.05%. An alternative funding mechanism is through recovery of the taxes unpaid by corporations and wealthy individuals using offshore tax havens. The tax avoidance of a small group of rich people and rich corporations operating outside the laws, regulations and norms of society, has a massive and adverse international impact on public funding; the Tax Justice Network estimated that the global super-rich have between $21 and $32 trillion hidden in tax havens. [74] More than half of world trade passes through tax havens (at least on paper) and more than half of all banking assets and a third of foreign direct investment by multinational corporations is channelled offshore. In 2010, small island tax havens had approximately a third of the world's GDP (us $18 trillion) on their balance sheets.

Inequality must be at the heart of the post-2015 development goals, including a top-level goal to reduce inequalities, including income and gender inequalities in particular. [75] This should be in addition to more specific, disaggregated targets to ensure equitable progress across different social groups towards agreed development objectives. An inequality target could be based on Palma's (2011) ratio of the income share of the top 10% of a population to the bottom 40%. In more equal societies this ratio will be one or below, meaning that the top 10% does not receive a larger share of national income than the bottom 40%. In very unequal societies, the ratio may be as high as seven. A potential target could be to halve national Palma ratios by 2030, compared to 2010, and dramatically reduce the global Palma ratio, which is currently 32.

A 'convenient truth' is then that greater equality, achieved partly through more economic democracy, allows us to combine sustainability with a better quality of life for all.

Figure 1:Index of Health and Social Problems in relation to income inequality in rich countries. Income inequality is measured by the ratio of incomes among the richest compared with the poorest 20% in each country. The index combines data on: life expectancy, mental illness, obesity, infant mortality, teenage births, homicides, imprisonment, educational attainment, distrust and social mobility. Raw scores for each variable were converted to z-scores and each country given its average z-score. [9]

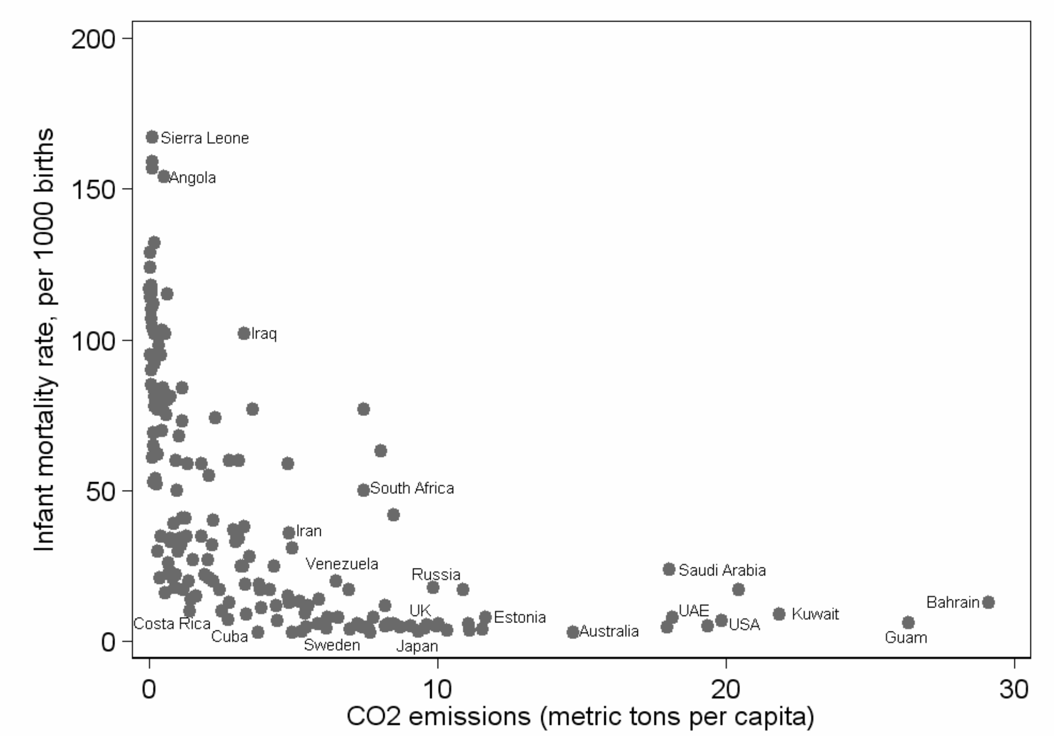

Figure 2: Low infant mortality can be achieved without high carbon emissions[76]

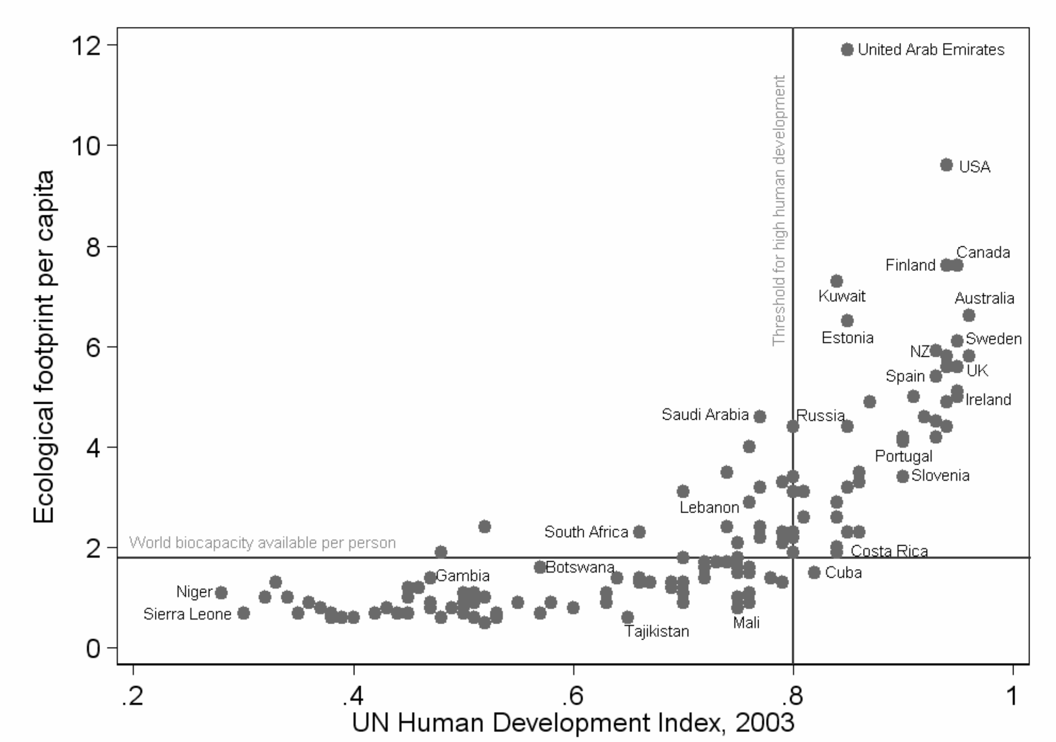

Figure 3: Human well-being and sustainability[44]

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