

**EQUALITY MUST BE PRIORITIZED**

**IF WE ARE TO EMERGE STRENGTHENED FROM THE CRISIS**

This summer marked the fifth anniversary of a global financial crisis caused by the reckless practices taking place in unregulated markets. The economic damage has been profound. The scourge of unemployment has returned with a vengeance, especially afflicting the young. Austerity has imposed sharp cuts on the welfare state, as ordinary citizens have been made to shoulder the burden of rescuing failed banks. Poverty and precariousness have increased sharply. But five years into the crisis, global finance remains untamed and the huge bonuses are still being paid out. The causes of the crisis have not been addressed and the financial markets remain ungoverned. The feeling that the world is hurtling toward calamity is palpable. The concentration of wealth and privilege has not just wrecked our economies, but has also undermined our politics. Democratic control has lost out against the need to preserve the asset values.

The explosion of complex derivatives and debt was justified using the argument that financial innovation was more efficient and created value for the economy as a whole. Rising inequality was explained to be a price worth paying for the more flexible economies that the neoliberal project birthed. But as the dust has settled, we can see clearly that what was meant to be solid (AAA certified subprime mortgage bonds, for instance) was a mirage if not a swindle. We were told that financiers had finally managed to realize the old alchemist's dream of turning base metal into gold, when in reality they were engaged in a systematic upward redistribution of wealth. The share of the wealthiest 1% has gone back to levels not seen since before the Great Depression; and a vicious cycle is set in motion where big money captures politics in order to capture an ever-larger share of the economy.

We are dissatisfied because we know that our societies and our politics are unjust, while the clients of the ultra-wealthy insult our intelligence by insisting that there is no alternative. Except for a small elite, rising inequality is making us all insecure and less free. The only credible political response consists of a frontal rejection of the current state of affairs. Obviously, there are many alternatives and many ways that we might organize

our societies and our markets better. To restore our bonds of cooperation, to restore our freedom to act, we must choose to design our institutions so that we might be more equal.

Equality is worth defending as a political option on its own merits, as the bedrock of democratic society. If every dollar counts more than every vote, policy will undoubtedly be captured in the interests of a small minority. If we are to exercise the freedom to choose, that requires an absence of great imbalances that permit the strongest to coerce their fellow citizens. Greater equality is a precursor for non-domination.

The case for equality is growing stronger by the day. Andrew Berg and Jonathan Ostry of the IMF have explained that the trade-off between equality and efficiency does not exist. If Sweden and Singapore offer two different paths to prosperity, we should clearly choose the Swedish option that does not force us to sacrifice equality for economic growth.

As Richard Wilkinson and Kate Pickett showed in *The Spirit Level*, argue that more equal societies do better on almost every measure: health, social problems, trust, education, crime, social mobility, innovation, and sustainability. Greater equality translates into better social outcomes. We will be more satisfied if our societies are less polarized.

In a context of crisis, the need to combat growing inequality is especially relevant. Joseph Stiglitz's recent book, *The Price of Inequality: How Today's Divided Society Endangers Our Future* argues that increased inequality has threatens general prosperity. A model tilted towards the concentration of wealth endangers a broad-based recovery and threatens to drive the middle class into extinction. In a similar vein, in *Fault Lines*, Raghuram Rajan chronicled how rising inequality led consumers to compensate for wages that were not keeping up with productivity gains by taking on excess debt. This increase in leverage helped trigger financial meltdown. A return to economic prosperity will require a reversal in this concentration of wealth.

Michael Kumhof and Roman Ranciere (of the IMF) elaborate on this line of work explain how strengthening labour power can help in the aftermath of a financial crisis. Making the poor better off economically is a far more useful way of stimulating the economy than inflating asset values. The policy debate is moving in the direction where it can be seen equality is not just desirable, in and of itself, but also necessary if we wish to ensure solid economic outcomes and get people back to work.

An agenda for equality can be divided into two types of policy: ex post measures that look to redistribute wealth, and ex ante measures that look to redesign the rules so that everyone gets a fairer deal. The equality agenda would combine both types of measures.

Here in Spain, taxes as a share of GDP are low in Spain with regards to the European average. That means that there is less redistribution taking place than in the more advanced welfare states of Northern Europe. In order to guarantee more robust mechanisms of social insurance and a more egalitarian distribution of income after taxation, taxes overall would need to be increased.

This will require a profound fiscal reform and more effective measures at the domestic, European, and international level to avoid tax fraud and to reduce the effects of tax competition. The tax system serves to generate revenue for public spending, but also shapes incentives and can be used directly to target inequalities. Green taxes will be worth exploring, because they are a necessary mechanism for dealing with questions of sustainability and redistributive justice.

A programme of progressive redistribution would necessarily involve the possibility of higher rates of taxation on high incomes, on capital transactions on capital gains, and on luxuries, wealth, and inheritances. A progressive consumption tax to directly address differences in standards of living would also be worth considering.

Public service reform would represent a complementary programme, with the challenge being that of combining efficiency and quality. An openly egalitarian project would opt for defending the universality of public services and limit the scope for the wealthier segments of society to opt out and create parallel systems.

While social mobility is greater in more egalitarian societies, it should be noted that not even the most advanced welfare states have been able to guarantee equality of opportunity. John Rawls himself was sceptical of their possibility to fully realize his goals of justice and contemplated a regime of property-owning democracy. The universal basic income and the universal inheritance would be two of the clearest mechanisms of realizing this ideal.

In the near term, it is very clear that quality education and training are essential in order to level the playing field, and also that the greatest inequalities are generated at a very early age. An equality agenda would prioritize universal childcare as an essential element of a modern progressive programme.

The basic obstacle to equality (both of opportunity and of outcome) remains the fact that the economic structure is constantly reproduced through the hereditary transmission of wealth. Equality of opportunity cannot be realized without addressing this issue nor can a meritocracy be created.

A more vigorous defence of egalitarianism can provide the basis for a new social and economic programme. It requires the simultaneous deepening of both liberal and social democratic approaches and can give content to an ambitious programme of social transformation. If we want to end the crisis, we must put equality back at the top of the agenda.

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