

Egalitarianism: old and new

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Venue: Old Theatre, Old Building, LSE

Speaker: Professor Lord Giddens

Chair: Professor David Held

Professor Held

Welcome to the start of the Miliband lecture series this academic year on inequalities, old and new, and the impact of inequalities old and new.

I would like to say something about the series briefly but before I do I would like to welcome and introduce a person who has played more tennis, watched more live soccer games, bought and sold more cars, met with more Presidents and Prime Ministers, written more books and given more lectures without notes than I can remember anyone else competing with so please join with me to welcome the ex-director of the LSE, Tony Giddens.

[APPLAUSE]

Of course for those of us who have known him a long time we have now have to say Professor Lord Giddens. Tonight's lecture is the first in our new Miliband series as I've noted. The lectures planned I think are rather impressive even though I say so myself. Following on this evening's lecture we have on the 21st October just to give you a sense, our own John Hill, who is going to talk about inequality and state. In early December we have got Gosta Epsing-Andersen who will talk about inequality: the welfare state in Europe. Early in the new year we'll have Barbara Ehrenreich and Polly Toynbee on gender inequalities: old patterns and new challenges. In February we have Branco Milanovic on international inequalities and international institutions. In March we have Nancy Fraser, rethinking equality. On March 22nd we have Robert Reich talking about the implications of the American elections (depending on who wins) and on April 26th we have Ed Ball, Robert Wade and I hope Martin Wolfe debating why inequality matters and there are more to come. All of these details on the LSE website, on the Miliband part of the website, in the Events leaflets and so on but there is just one other lecture to mention, the hangover from the cancellation last year, on the 23rd November Homi Bhabha will be talking in the themes of the culture and the age of global communications, his remarkable cultural theories, the person who is highly cosmopolitan in yet rooted in the world and he will give a wonderful address.

But tonight we start with Anthony Giddens, *The New Egalitarianism* or *Egalitarianism: old and new* and I would just like to say a few brief words about someone I've known for over 30 years, who's impressed me for the three decades and is also a close friend. Anthony Giddens, is without doubt the most widely cited contemporary sociologist in the world. He's the author and editor of well over 30 books, translated into 40 plus languages. His first book *Capitalism and Modern Social Theory* is still readable three decades after it was published. It remains in my view the best account of Marx, Weber and Durkheim written certainly in the English speaking world and is still a set text book years after it was conceived.

He's also the author of numerous academic best sellers and his path breaking text book Sociology has sold over a million copies worldwide since it was published. So afterwards you want to talk about royalties and inequalities with him! Anthony Giddens is also well known for writings across a diversity of areas apart from core subjects as sociology, social theory, the history of social thought, family, relationships, sexuality. His works spans extraordinary range of topics and it's an extraordinary output over a consistently long period of time. If that is not enough of course he has had an impact on contemporary political thinking, the author of the well known Third Way books which have been bestsellers in many countries and his advice has been sought by social democratic leaders from around the world, hence my earlier remarks and has known more PM's and Presidents than anyone else I've known. It's an amazing record.

Anthony Giddens was born in Edmonton, North London. He was educated at Hull and the LSE. He was the first member of his family to go to college. He remains "dedicated and frustrated supporter of his local football team, Tottenham Hotspur". If the truth be known he would rather have been a professional footballer but we all here should be very glad he in fact became the director of the LSE, so welcome again Anthony Giddens.

[APPLAUSE]

Professor Lord Giddens

Why thank you David. If I ever need a PR Agent I'll know who to turn to! Let me say what a pleasure it is to be back at the LSE and what an honour it is to be asked to give the first Miliband lecture in this series this year.

I feel I must say a couple of words about Ralph Miliband because he was one of the great intellectual figures of the LSE who made a deep impact on me, both personally and intellectually in the earlier part of my career. He was deservedly famous across the world for his writings on contemporary capitalism. If you ever wanted someone with charisma, he had charisma. He had passion, he was really committed intellectual and I think, you know this amazing series that David's assembled this year is a very good token of the importance of his memory.

Now, what I'm going to do is I'm afraid slightly parochial because what I am going to do is talk about inequality in the UK only. I'm going to talk about economic inequality not other forms of inequality because of course there are many forms of inequality. I'm going to talk mainly about income inequality not primarily inequality of wealth although that's obviously very important and I want to pose a series of questions and try and answer them in this lecture.

I think if anyone is au fait with British politics will recognise that the debate about economic inequality is one of the key dividing lines really between as it were Old Labour on the one hand and the modernising Left or New Labour if you like on the other. Those from the more traditional Left feel that whatever else New Labour has done has not done enough to limit the inequalities in which this country is afflicted and New Labour, those from the more traditional Left say must do more.

I want to ask the question therefore, what is New Labour's record on attacking inequality look like? Should we be doing more and if so what more should we be doing? I think an appropriate starting point for this is to look at a strategic audit of the UK which the Strategy Unit which is attached to No 10 Downing Street carried out and published, put on its website anyway in about 2003 and this strategic audit was a kind of audit of the position of the UK compared to other industrialised countries in the world and it produced very interesting results I think. What it showed was that the UK is doing pretty well. If you look at the economy, it's pretty strong, rates of unemployment are low. You might not believe this but if you look at life's satisfaction the UK came fourth out of 15 EU countries in terms of expressed levels of life's satisfaction. If you look at the ecological record of the UK it's actually pretty good compared to most other EU countries but there is one area where the performance of Britain as a society stands out. Where it does very poorly, it stands out like a sore thumb really in this audit and that area is inequality.

One key area is child poverty. The UK especially when New Labour came into power performed very, very poorly in terms of levels of child poverty. The rate of child poverty in the UK placed it 14th out of 15th amongst the fifteen EU countries at that time anyway.

You look at other measures of poverty, such as recurrent poverty, multiple deprivation, the UK again does pretty poorly compared to, not only EU partners but also to most other OECD industrial countries too.

The UK doesn't do very well either in terms of overall levels of economic inequality especially if you look at the period in the 80s and 90s when New Labour was first of all in power.

Finally, in the UK over the past 15 to 20 years the top 1% and the top 0.5% have pulled away from the rest of the population. They are doing very, very well compared to the majority of the population. It's also true of the United States, you find the same kind of sharp movement away among top income earners in the United States as you find in the UK, even more extreme than in the UK but among other EU countries like France or Germany or the Scandinavian countries there isn't much of a pull away among the top 1% so there is something distinctive about the British pattern of inequality here.

Now when New Labour got into power in 1997 they took self consciously a different approach from the old Left. New Labour self consciously restructured their policies away from some of the main premises of traditional Leftism. Let me give you four main points outlining Labour's policies relevant to the restructuring which lay behind the policies they introduced to try and cope with inequality and poverty in the country.

First of all, unlike their predecessors New Labour argues that economic policy is the key to social policy. Unless you have a stable economy, unless you have decent growth rates, you can't do much either about public services or about the inequalities to which the society is subject.

Old Labour as it were, you could put it this way was strong on inequality, they were always saying they wanted to reduce inequalities but were not strong on economic dynamism, were not strong on job creation and what you need to do to create a competitive economy in the modern world.

Thatcherism was the other way round. It was pretty strong on competitiveness, on making the economy more competitive and indeed the British economy did become more competitive during the Thatcherite period at all be it at considerable cost to the wider society but it did become more competitive.

The point of New Labour however, is to connect economic dynamism, solidarity, the attack on inequality and investment in public services so you want to look for policies wherever possible which do both, which promote job creation, which promote economic dynamism, which make the economy competitive but at the same time help us to reduce inequalities.

It's one of the main reasons why tax credits figure so strongly in the Chancellor's programme for combating inequality because tax credits help you get people into work, at the same time therefore they help to some extent create jobs, they promote involvement in the economy but they also reduce inequalities. Tax credits have other advantages of course that is you don't really see them and people don't really perceive them as traditional benefits, as kind of handouts so they are politically more palatable than traditional benefits are but the first emphasis, very important emphasis of New Labour, which I'll argue later in this lecture must be sustained, that you must have a strong economy and it must be a stable economy if you are going to do much effectively in inequality or investment in public services.

Second, New Labour to some extent anyway, not completely of course, in contrast to Old Labour put a lot of emphasis upon equality of opportunity rather than equality of outcome. New Labour wants to expand opportunities especially for people near the bottom of the society and see this is as crucial to the first point because if you're going to have a dynamic economy you must have aspirational society, you must have people who are prepared to be dynamic themselves, who want to get on, who want to make something of their life so this emphasis is quite an important one and Gordon Brown called it and still calls it the importance of human potential. We want a society which allows people who live up to the potential which they have especially people at the bottom who are frustrated by being cut off as it were from the wider society.

However, as I would see it, this was never a pure meritocratic model. You can't have increasing equality of opportunity without a strong measure of equality of outcome. Very, very obvious because if you didn't have that one generation's equality of opportunity would be the next generation's denial of that opportunity because you would have a kind of rich cast which then passed on the wealth to the next generation so you must have a measure of equality of outcome, redistribution if you like, going along with equality of opportunity.

Third emphasis, the core of Labour's programme really, Labour introduced a whole barrage, New Labour a whole barrage of policies aimed at the poor and they did so with a different political philosophy from Old Labour because I think Old Labour at least to some degree was interested in reducing the gap between the top and the

bottom, the very top and the very bottom. New Labour decided not to try to do that. New Labour thought it was more important to reduce the gap between the middle and the bottom because there are far more people there, therefore you should target policy primarily at the poor, try to improve their life circumstances, so you get a shifting balance between those at the bottom and those who are more affluent above them and the rains of policies which New Labour introduced is pretty formidable. I'll just read some of them out to you. The Child Care Tax Credit, Working Tax Credit, Pension Credit, Minimum Wage much resisted from the Right at the time you might remember and the new deal to get young people into work, Sure Start for Children and the Child Tax Credit and a whole maze of programmes, apparently about 71 programmes devoted to deprived areas. So it's not true to say Labour have not been trying to do something about inequality, absolutely have, certainly at the bottom of the class structure.

The flagship of New Labour's programmes is their commitment to the eradication of child poverty. People say New Labour have not been bold but this is surely one area where they have been because Tony Blair gave a commitment about three years ago, a speech I remember attending, which he said we will abolish child poverty by the year 2020. The commitment not only to reduce child poverty but to abolish child poverty over not really too long a period although who knows if they will be in power over that whole period.

Fourthly, finally, New Labour weren't like Old Labour because they took a more relaxed attitude to the people at the top, the big earners. New Labour basically decided to leave the top alone because of the logic of the position I just described. More important to shift resources around where there are more resources from the upper middle to the bottom than from the very top to the bottom. Tony Blair once said, when he was asked about this, what are you going to do about the rich, Tony? He said it's not my business to make sure that David Beckham earns less. What he meant by that is that New Labour should be unlike Old Labour in the sense of not believing that everyone who is wealthy has got their wealth through noxious means because people often get their wealth through things that are valuable to society. By no means all of them, that has to be said, but many of them certainly do and what New Labour decided to do was not increase income tax rates for those at the top. That was a controversial policy in 1997 and it remains a controversial policy today.

This was a very substantial programme and let me move on the second part of the lecture and just assess what the impact of this programme has been.

I would stress out of the first four points that it's not true that New Labour was unconcerned with social justice. It's very strongly concerned with social justice. It's not true that New Labour is uninterested in wider patterns of inequality. It's had more programmes really oriented toward reducing these things probably than certainly most previous Labour governments but a different philosophy underlying. A philosophy if you like, political realism I would describe it. Let's do what we can do rather than pie in the sky schemes.

Now it took quite a long while before we could assess the impact of these policies and early on after 1997 New Labour was kind of criticised very strongly from the Left, people said inequality hasn't changed very much, not much difference visible but

there wouldn't be much difference visible. You don't change things in two or three years. Now it's been seven years and we have a much better understanding of what these policies amount to in terms of their consequences for inequality.

Here I've got 5 points to make quickly about what these policies have produced. First of all Gordon Brown's emphasis upon keeping labour markets flexible above the level of a minimum wage much criticised from some circles on the left has proved its value. It was right of Brown to claim I think that having a dynamic economy is crucial to generating social justice. It's proved its value especially in terms of employment. Levels of unemployment in the UK are currently very low. It's always been an historic ambition of the Left to produce full employment while at the moment there is effectively full employment in this economy but not only that, perhaps even more importantly the level of job creation in the British economy is very, very high. Not all attributed to New Labour of course but nevertheless if you look at the Lisbon Agenda for the EU, the Lisbon agenda was a kind of scheme for where the EU should stand in the year 2015, well according to the Lisbon agenda by 2015 that EU countries should have 70% of people in work. Well, the UK already has 75% of the available labour force in work so its employment record is very, very good and full employment is a form of social justice. Unemployment is a masked form often of inequality, not so masked. It's also important to recognise that work has been an important route out of poverty and the Labour stress on work is a means of moving out of poverty has I think been amply justified. Although it has its problems which I will come to later.

Second New Labour place an emphasis, not like Old Labour did on tax rates but on the tax take, the total amount of money you have available to spend, to help people and this emphasis has also proved to be justified. There's no point about squabbling too much about formal rates of income tax. What's important, that is important but in addition you need to generate the resources which will allow you to fund your spending programme. Under New Labour depending on how you calculate it, the proportion of taxation in relation to GDP has risen. It hasn't risen apart from National Insurance by putting up rates, it's risen more by having a successful economy generating the resources which can be fed in to public institutions. If anyone who calculates it, it's something like just over 40% of GDP in the UK now comes from taxation up about 2 or 3 points from what it was previously so there are more resources to go around.

Thirdly there have been significant reductions in child poverty in overall levels of poverty and in poverty among the over 65's. If use the EU criteria of poverty being those who live under 60% of means and income, most people now agree that numbers of the poor have fallen by about one and a half million from 1997 to 2002/3. Most people also agree that Labour is on target to reach its goal of reducing child poverty by a quarter by the end of the financial year 2005. Quite significant inroads made there.

Fourthly, as measured at least after housing costs, poverty among older people, the over 65's fell by over a million up to the year 2003/4. Older people are actually doing pretty well because a lot of the balance of inequality in our society has shifted downwards towards children and towards small families but nevertheless New Labour's policies have made significant difference and could make an even bigger difference if they get it right to the economic situation of older people.

Finally, there has been redistribution. If you look at the lowest 10% of income earners, they're about 8% better off, well they were about 8% better off in real terms in 2003 than they were in 1997. There has been at least a certain measure of redistribution from the kinds of areas which New Labour sought to achieve it.

Moreover there is another quite significant thing I think which is the following. If you look at overall levels of economic inequality many people say overall economic inequality has not changed under Labour, it has simply continued to increase. This does not seem to be the case according to most recent statistics. If you look at the findings of the IFS, Institute of Fiscal Studies, they show that overall economic inequality, the Gini coefficient in the UK has levelled off, has stabilised over the past two or three years and the IFS argue that this levelling off of inequality is the result of Labour's policies. Labour's policies have not actually brought down the graph of overall economic inequality but they have caused it to level off therefore they have made a significant contribution to at least the stabilisation of economic inequality.

To me these things are real achievements, they are substantial achievements. I think you could even say that this Labour government is the first Labour government really to actually affect redistribution rather than just talk about it. I think many people of the more traditional Left look back to a time when Labour leaders spoke more openly about equality but this masks the fact that they did little about it. It's one thing to talk about it, it's another to achieve it and however modest New Labour has achieved the measure of redistribution. This has not been true of previous Labour governments. Why? Because you come back to the economic criteria that almost all previous Labour governments have foundered in an economic crisis about four or five years into office therefore for all their bold promises of redistribution of having a more equal society has not been the outcome of at least most prior periods of Labour government.

But is it enough? The IPPR which is a research organisation just down the road, across the other side of Kingsway from here and recently produced a study on the state of the nation in which they looked at social justice in the UK. It's a very good document if anybody is interested in these issues and what the document showed was that first of all they agreed that New Labour has made significant contributions especially to reducing certain categories of poverty as a result of the policies I have just described but they argue that many people think that New Labour's programme still lacks impetus, still lacks drive, still lacks vision, there's not enough being done given the vast range of inequalities which is still true this society is subject.

What they don't do in the IPPR Report however is say how you should tackle these issues. Now I would like to say and this leads me to the second chunk of the lecture that their view is correct. We do need New Labour to make a new move to egalitarianism. I feel the Labour government at this point should make a commitment to a renewed egalitarianism and I think there's something out of kilter really with New Labour's perspective because New Labour have given so much commitment to renewal of public services and I think there will indeed be a renewal of public services, the money that's gone in must and will bear results over the next few years but there has been no parallel integrated commitment really to securing a more socially just society.

However, to secure a more socially just society, for me anyway, it won't do to go back to the nostrums of the old Left. It won't do to sort of push what I would call the old Left populism which I would describe as raise taxes substantially again, intervene in labour markets to re-regulate them and invest in public services without bothering to try to reform them. Maybe a caricature but a sort of perspective which some people have. I don't think such a perspective would be feasible. You couldn't produce substantial increase in tax at this point and hope to survive electorally. If you made Labour markets more rigid again rates of unemployment would rise and if you invested in public services without doing the difficult bit, that is contesting those who would resist reform, which would make public services more effective well then people's money would have been wasted.

So let's have a renewed egalitarianism but for me it has to be a new egalitarianism, not just a, hence the title of this lecture, not just a kind of pro forma repetition of the critique of the old Left of New Labour. You have to have new egalitarianism for two main reasons. One is that you must sustain the Gordon Brown emphasis I think upon the importance of economic policy as crucial to what you do with regard to social justice.

The second is that you must respond to the big changes transforming our society. New Labour, I put it to you audiences of third way party, but the third way was never an empty PR device. The third way was never a middle way, the third way was never us coming to market. What it is, is an attempt to update, to upgrade left to centre political thinking so as to relate the massive changes transforming our society, the impact of economic global competition, the emergence of a service economy. Well over 80% of the labour force now works in services, a fantastic transformation really of the economy and the rise of individualism which has transformed people's attitudes towards politics in many other aspects of their lives.

So a new egalitarianism can't be just a rerun of the old egalitarianism and there is no point pretending that it isn't difficult, it is difficult. It is difficult to find a set of policies which will be electorally feasible, which will be realistic, pie in the sky policies which will do something further beyond what's been achieved in reducing economic inequality.

Now I would like to say what my version of this would be and go back to four main points which I believe are worth exploring but I would stress that I have as many questions as answers and I'm not sure that anyone has completely satisfactory answers to how you push a programme for tackling inequality substantially further.

My main four points then are following:

First of all New Labour's problems with articulating a vision of social justice which would go along with their vision of renewed public services. Surely in some part comes from the scattergun nature of their policies. New Labour has always this vast range of policies to tackle inequality and poverty as I mentioned but it has so many policies it's very hard for anyone to make sense of them. Even if you've got the famous Professor Anne Power in this room, it would take her a whole academic life really to study what the impact of these policies has been so diverse are they. It's not

surprising that the public doesn't see the Labour Party as a party substantially committed to social justice because it's so difficult to these different kinds of policies together and see an integrated dynamic behind them. New Labour should do this. New Labour should put all these things together. I don't think it's at all impossible, simplify, co-ordinate, integrate, show a commitment, not just have a kind of scattergun of pellets all over the place that the public can't make sense of and even social policy experts struggle with.

Second, I think a more spelled out vision of an egalitarian society would help reduce the scattergun nature of Labour's policies and I've been particularly influenced by a version presented by a German political scientist who works with the SPD, the German Social Democratic Party, a political scientist called Wolfgang Merkel, who has set out, you know the German Social Democratic Party is going through all the same kind of difficulties of modernisation as all left of centre parties are. Merkel has set out a sort of basic scheme for what a movement towards social justice could look like under the post-modern social conditions which I mentioned earlier. Let me quickly just run through it. He has going fours and fives, he has five elements in his ideological frame looking at social justice and egalitarian outlook should involve the following five things.

First, the fight against poverty, not because of economic inequality in itself, but because poverty above all enduring poverty limits the individual capacity for autonomy and self esteem. Not poverty as such but what poverty does to your life that needs to be contested.

Second, we should build the highest possible standards for education and training routed in fair and open access even for those at the bottom of the society, in other words open opportunity principles that I described earlier.

Third, we should ensure employment for all those willing and able which Labour is not far from having achieved as I mentioned.

Fourthly, we should have a welfare state which ensures protection and dignity. I think the dignity part is a crucial part of this because welfare states do not have a good record for treating their clients well. Welfare states often demean those who have to rely upon them.

Fifthly, limitation of inequality of income and wealth if they hinder the first four goals or endanger the cohesion of society.

This framework seems to me pretty good ideological framework for a new egalitarianism because it's simple, it's direct, it conforms to the need to create a socially just society within a dynamic economy which stresses individual aspiration and opportunity and rather crucially it shows while child poverty is so important, why attacking child poverty is so important. When New Labour made its promise to eradicate child poverty it kind of stood apart from the other policies New Labour had. People said why do they radical on this and not on other things but I think if you look at the Merkel's five criteria you can see why you need to be radical on child poverty because child poverty affects all five. It's the only form of poverty which affects all five of the criteria which Merkel mentions. So I think we have a decent framework

there which has a virtue of being luminous and down to earth and not philosophically pretentious.

Thirdly, New Labour and all of us interested in combating inequality has a got a lot of thinking to do about the limits of the policies which it has in place. I'm not pretending to answer these questions although happy to discuss any of them where we have discussion afterwards. We don't really know for example how we are going to halve child poverty by 2010 which is the next phase on the way to eradicating child poverty. How are we going to do this? Most of it has been done by tax credits but perhaps we have come to the end of the role which tax credits can assume because they are very complicated for people to understand. A lot of people don't take up what they offer for example. There was a review by the Child Poverty Review in 2003 which looked at the issue of how you get towards reducing child poverty by half in 10 years and it was a bit kind of New Labourish because it came up with another flurry of initiatives, some 18 initiatives in all adding to the vast scattergun of policies which existed previously. What do we do about those who can't work because New Labour's policies primarily are pointed towards getting people in the labour market. They have been successful as I mentioned but not everybody can work and therefore will be left outside.

Should we be reducing taxes for poorer groups? I think actually that we should. Taxation of course is central to attacking inequality but you don't necessarily have to look at the top although as I say in a minute we should look at the top. You can also look to the bottom. One of the things about New Labour which I think is quite important is that they no longer regarded taxation as simply in terms of the amount of money raised but also see that fiscal devices influence behaviour. Tax credits for example influence behaviour. They can get you, motivate you to get a job. Much more sophisticated view of taxation I think than the old Left tended to have. It's going to be difficult I think to raise overall levels of taxation except in the way New Labour have done it because I mentioned earlier it's partly through actually taking an initiative and raising rates for National Insurance but also through leaving tax rates stable so as people become more affluent, as the economy expands, they naturally pay more in taxation without resenting it so much.

So we should look for taxation and continue to look for fiscal devices which will help those at the bottom and in some part redistribute through those fiscal devices but I think we do need a new package. I don't think the existing package of policies that New Labour has is sufficient to drive us on to a next stage because you are going to get to the more difficult inequalities. In the IPPR Report they say what Labour has done is pluck the low hanging fruit, you know they've got the people who are easiest to get into work as it were, into work. They've dealt with some of the easiest issues but when you look at some of the most deprived areas in the country where poverty is so deeply embedded, how are we going to reverse those pockets of as it were ultimate deprivation. How are we going to push on to the next phase, these policies again need to be integrated and deeper.

Finally concluding of part of what I have to say, take this issue, what we do about the people at the top? Some say don't bother too much about people at the very top because they are only a tiny minority anyway. You're never going to get much money from them anyway therefore you have to redistribute within the bulk of income

owners rather than fretting about the 1% or 0.5% of people at the top. Whatever they do is not going to really influence the rest of us very much. There is a certain logic to that and it even has a philosophical position in American political philosophy called I think sufficientarianism that you should concentrate on the bottom and not really worry about the long distance gap between the very poorest and the richest. So there is a kind of logic.

To me New Labour should still be New Labour on this issue, that is you do want to recognise the success which can breed economic success, can often be not only valuable but necessary for the wider society. You do need entrepreneurs who create jobs for example, who might themselves become wealthy in the process but who derive the overall economy a lot. You don't want I think simply to have a society in which success is resented, which is the kind of old Leftish view that everyone who makes money is somehow is inevitable tainted by the process or has only got wealthy because of exploiting others because this is by no means always true. I think one must be fairly new Labourish on these issues but I think we have to start thinking about two sets of groups really.

One if you like are the very rich, top 1% pulling away, it can't be healthy for a society if the top 1% is pulling away like that from the rest I don't think and second we have to think about the top 10%, that is the wider number of affluent people and what policies we should have in place in relation to them. As regards the top 1% the key issue is should we be raising income tax for example on those earning over £100,000 a year which is the policy of the Liberal Democrats. Myself I don't think so but we can certainly debate it if anyone is interested. For various reasons, one is that I don't think that policy will bring in the amount of money which the Liberal Democrats claim, they claim 5 billion, I think having looked at it in as much detail as an amateur can seems to me to bring about 3.5 billion pounds a year. 3.5 billion is not a large amount in the overall scope of government expenditure.

It would also provide the Tories with an avenue of attack, Labour again tax raising Party so I think my view anyway for the moment, is it's not really worth doing and we should be looking elsewhere. Where should be looking? Well, we should be looking I think in relation to kind of integrated view of egalitarianism at the citizenship responsibilities of the top 1% and the top 0.5%. Why do we only consider social exclusion at the bottom, why don't we consider social exclusion at the top? Social exclusion at the top is the irresponsible behaviour of certain categories anyway of highly affluent people who profit from the wider society but deny that they do so. Whose profit depends upon adequate public services for example but who deny that. Who are prepared to enrich themselves without recognising the citizenship responsibilities of corporation. So to me it's going to be much more effective to try to, for example, limit aggressive tax avoidance schemes and limit tax evasion and do so if possible, in a positive way to encourage greater citizenship among the more affluent than it is simply to raise obsessively income tax rates at the top.

Legal tax avoidance schemes currently cost the country about three or four times what would be gained through putting up the tax on those who were over £100,000 a year. We should be looking I think for a series of measures which take further the innovations which Patricia Hewitt has introduced to try and enhance shareholder power, to try to get greater responsibility and to corporate sabbies, to have a more

adequate frame of citizenship if you like for business. Business kind of broke away from its citizenship obligations and we should be looking for ways to reintegrate them in the wider society. These could be positive not negative. Why not have tax credits for the rich as well as for the poor, for example? Tax credits which would reward contribution, philanthropy for example. These things it seems to me are important and its important that the Treasury is currently trying to cut down, fairly effectively so far, on both legal tax avoidance, aggressive tax avoidance and tax evasion.

Finally what about the top 10%? Well, there's not much time to talk about them but they are a very crucial group and I think what New Labour should be doing here is that they must at least take a look at the intersection between the public and private spheres in our society because I think inequalities in the UK somehow centre around a kind of mistaken egalitarianism of public services where it's pretended that everyone is equal in health and education where it's paid for by the state but everybody knows that people are not equal, that there are massive inequalities and then a separate private sector in health and education where a few per cent of the top 10% opt out altogether both in health and education. It's not like that in more egalitarian countries interestingly. Scandinavian countries are the most egalitarian countries in the world. What do they do? Well, they integrate the public and private sectors much more both in medicine and in education and this allows the upper middle class in because they get financial incentives to use the state system and that's surely sensible.

In the case of education New Labour philosophy has a lot going for it, which is to shift up the state system to make state schools better, to have specialist academies for example which will rival the private schools. But will they rival the private schools or as the English perversely call them the public schools, well I think the answer is that it's going to be difficult because the private schools will find means of keeping ahead. Therefore I think we have to grasp the nettle and at least look at the issue of the role of private schools in our society and the contributions they make to the wider social system.

It's not at all easy but I think Labour should at least be thinking about the sorts of schemes that are presented by the philanthropist Peter Lampl who actually gave quite a lot of money to the LSE for Saturday Schemes and Weekend Schemes and Sunday Schools for kids from poorer schools to explore what it's like to be in university. Peter Lampl made an investment in a private school in Liverpool called the Belvedere School, a private school, and what he did was to introduce what's called needs blind admission in that school. Needs blind admission is what universities like Harvard, affluent universities in the US do. You apply to Harvard and you're assessed purely in terms of your academic ability. You're guaranteed a place no matter how rich or poor you are and if you are poor then the university will pay for you. What Peter Lampl did is to do the same thing in the Belvedere School in Liverpool. Kids apply, they say nothing about their social background, they're assessed on their intellectual capabilities and those who can't pay, they are paid for by Peter Lampl's investment and it produced a massive change in the social composition of the Belvedere School because the private schools are not meritocratic but this school became much more meritocratic, much more open to opportunity in a sense to which I described it. I think today that 70% of the students in the Belvedere School come from the bottom three social classes and it was only about 30% before the scheme was introduced. What Peter Lampl is asking is for a debate about this and for consideration that the

government might provide dual investment to expand the scheme to a few other schools. The government doesn't like it because it feels it might drain the brighter schools away from the state system and therefore end up reproducing inequalities even more than the one that exist at present but to me this is the kind of experimental thinking which we need if we are going to do something to produce a fairer society which is compatible with the emphases that I've mentioned.

So I would say New Labour needs a dual philosophy, not a single philosophy, it's not enough just to invest in public services, let's have a renewed commitment to egalitarianism. Let's have a commitment to producing a fairer society which will go along with a society which provides more effectively for the public goods which we all need and I would say New Labour go for it. Thank you.

[APPLAUSE]

Professor Held

We have half an hour for questions.

Question 1

To what extent do you think the Government can effectively tackle inequality without taking the public with it, in the sense that they have done. It seems to me it's done what it has done almost by stealth and it seems to be a deliberate decision not to crow about its achievements and you have had those achievements and they are significant. It just seems to me that when Thatcher transformed society in the '80s she actually had a dual approach, she implemented the policies, tax cuts, privatisation, sale of council houses, she walked the walk but she also talked the talk, her famous declaration that society no longer exists and things like that so all that dual combination of policy and rhetoric changed public culture. What Labour's doing it's walking the walk but it's not talking the talk and the public isn't being taken with it.

Question 2

Tony, you have emphasised the welfare state, the delivery of public services like health and education. When you've talked about egalitarianism these are the kinds of subjects that you've mostly concentrated on. You've mentioned in passing the need to underpin this with a competitive economy, an economy with a relatively high rate of productivity, growth with research and development and so on but it seems to me both from tonight and from your other writing that you tread very lightly on that second face of the state so to speak, most of your attention is on the first but the question is have you considered more than you indicated tonight with these passing references to the labour market, to corporate governance, have you considered ways by which third way principles might suggest new ideas for this sort of productivity generating industrial policies, types, role of the state.

Question 3

Tony, you talked towards the end about ways of increasing the tax take at the top through reductions in avoidance and evasion. One of the particular difficulties in extracting money from the very top is the existence around the world of quite a large number of tax havens, many of which are British dependencies and I wonder whether doing something about that would be part of your agenda for this determined assault on avoidance and sometimes evasion.

Question 4

Lord Giddens, you talked about education briefly, I would like to know what your position about further education, education at university and how New Labour's policies might impact egalitarianism in further education.

Question 5

To follow up from the previous question and there was an article in The Times yesterday where Oxford has threatened to go private within a few years because of excessive government interference in its admissions policy and what do you think of Labour's social inclusion targets at university.

Lord Giddens

I think it's a very good observation the first question really because I think Labour was unable to confront really the issue of social justice head on, wasn't able to make a declared political philosophy of it, wasn't able to make a kind of impact that Mrs Thatcher made when she declared her political philosophy. What does New Labour stand for? Well, one of the main things it stands for, for me, is making this country more social democratic, moving in a way from being a Thatcherite country contrary to what many people say, that to me is the goal of New Labour. Well, you know you do that by investing in public institutions but you also do it by making out a more egalitarian society so I think that's why you need a more open commitment to that but within the framework which I mentioned and the difficulty is reconciling all the various strands that I mentioned because I think policies will only be effective if those are reconciled but yes I would be looking for more open commitment to which would say this is the kind of society we want to achieve, it's compatible with the things that, you know aspiration and so forth, however it is a different society from the one we inherited. Of course New Labour says that but you need a better articulation of it I think so I would agree with that really.

The question about competitive economy and productivity, I mean I don't know whether you meant that in relation to inequality particularly because there is a kind of relationship I think when you compare say Germany and the UK. Germany has higher productivity but through investment and technology it seems to have a higher number of people outside of the labour force and that's one kind of version that UK has more people in low level jobs, has a problem with productivity which even Gordon Brown with all his managerial policies seems unable to make a big dent in and productivity remains a key problem for the British economy I think. New Labour are proposing to increase the minimum wage and I think they should do so because I don't think we are looking for an American style productivity kind of set up, we are looking for something to the best continental example but trying to reconcile that with decent levels of job creation but I don't know of the magical key and I don't know of any economists who does. You have the traditional nostrums and more investment in technology and that sort of thing, no doubt that will contribute but beyond that I don't think anyone unless you do has a magical solution to that issue which is an important one for this society to resolve. I'm not sure if that was the question you were asking but that's how I interpreted it.

John is the next lecturer in this series so you've all got to come and hear him, he's written this extraordinary book about inequality, when's it coming out?

I think it's not just a question of international flow of money I think. I think the Treasury, if you look at the Finance Bill, are going to make significant contributions through tightening up of legal tax avoidance schemes and should as I say and probably save more than they get by putting up top rate of income tax if it all works as they claim it will work in the Finance Bill therefore national policy can make a lot of difference and that's only tax avoidance not tax evasion. Tax evasion you could probably do more about but surely it's like David's social democratic black hole in the world economy, the sort of movement of money around the world and the escape of taxation. The OECD had this programme to transform tax havens which I strongly supported but which the Bush administration sort of basically has blocked and I think surely if you are going to have something like David wants global social democratic society which will also feed into national social democracy that programme has to be realised. I don't see it's impossible because I think OECD came up which looked to be a fairly practical scheme about that.

Can I take the last two questions together because they are about higher education? When I was director of LSE I had quite a lot of run ins with the student body because I supported the government's policy on introducing fees for UK undergraduates and I regard that as more compatible with social justice than the system which existed previously. The reason being, in the LSE you have overseas students who are heavily subsidising the UK based students beyond a level which is socially just and second the old system did not serve the interests of poorer students. Only 11% from social class 5, the bottom social class, get into university. You can't say the old system worked. It's fair but those who benefit from higher education should contribute to the overall social cost of it in my opinion and a substantial proportion of that money should be spent on helping those from poorer backgrounds not just to get to university through scholarships but also through making them aware of the possibility of going to university.

As to whether you know all this stuff about Oxford privatisation and so on, to me in England anyway the only two universities or maybe three that could privatise are Oxford, Cambridge and Imperial. Oxford and Cambridge have pretty substantial endowments and they could start charging higher fees and it's possible they could privatise down the line. I'm not sure if it's particularly a bad thing because lots of countries have private as well as public universities but my feeling for the LSE was that I wanted the LSE to remain substantially a public institution. I don't think, even if I wanted to, there wouldn't be anyway of privatising the LSE short of someone giving it a massive amounts of money beyond which a government would ever consider giving. To me the LSE is partly a private institution already because it depends on much on overseas student fees, it's a privately funded public institution and I think this is characteristic of a lot of public institutions now. There's so much demand for health, education and so forth. Only 7% of students went to university 40 years ago. So much demand that you can't fund it solely through the state, therefore you must have a mixed system but because you have private money in there it doesn't follow that you can't follow a public purpose and to me that's what the LSE does so while I was here I certainly wasn't in favour of any scheme of privatising the LSE although I think the director before me did entertain such ambition.

Question 6

You talked briefly about preventing a rich cast forming yet you said nothing about inheritance tax and that seems to go to the core of that and you also said nothing about Brown's plans for Baby Bonds which would seem to do more to increase equality than many other policies you mentioned.

Question 7

Professor Giddens, you defined as one of the major elements of the New Labour philosophy the strategic decision to leave the top earners alone and not increase the income tax. We heard quite a few arguments in favour of this strategic decision and I was wondering how costly in electoral terms as you said would it be to increase the income tax for the top 5% of the population since we are only talking about the 5% of the electoral body and a very brief second point. You also said that and I quote "3.5 billion pounds is not a lot of money". I am perfectly aware that your amazing books sell quite a lot but would you care to elaborate on this.

Question 8

I just wanted to elaborate on the previous comment about inheritance tax. You said about equality of opportunity rather than equality of outcome and yet over the generations a straight forward race becomes more like a relay race. The problem of course with inheritance tax is that at any level of social class almost everybody without exception wants to leave their children in the better circumstance than they started off themselves. That's a very difficult conundrum to address and I wondered if you could do that, thank you.

Question 9

I want to ask about the... Labour policy has been that economic policy will eventually create better social justice, now it's predicated upon the neo-classical economics moral that there would be growth, perpetual growth so what happens if it's a Japan like situation, you have no growth for 10 years, maybe you have negative growth for 10 years. Thank you.

Question 10

Just a question related to regional disparities. I was wondering if or get your thoughts on whether devolution or decentralisation of power contributes to inequalities considering the differences in capacities and efficiency levels of local governments. Thank you.

Question 11

My question is actually also about gender equality and egalitarian outlook that you cited Wolfgang Merkel's aspect and I was wondering, well my question is about the distribution of carework paid and unpaid work and whether you think there should be an active vote for government to encourage the more equal distribution of unpaid work to enhance equal opportunities in employment.

Lord Giddens

The point that was made about inheritance tax or inheritance is quite right. Some of the political philosophers and the social sciences argue that you should like Emile Durkheim, famous sociologist at the turn of the century, argued of Stadt zero inheritance. You should have 100% inheritance tax because everyone should start

from a level playing field but as the questioner said this is not remotely feasible and the reality is that some countries have moved in the opposite direction and have abolished inheritance tax altogether and some Tories want to do that in this country and it actually has quite a range of populous appeal. I certainly don't think we should do that, I don't think we should leave inheritance tax alone. The IPPR, the organisation that I mentioned just produced an interesting document on inheritance tax in which they suggested a more progressive inheritance tax raising taxes for those who leave a lot of money as opposed to the standard rate that they have a single rate of taxation now. That's not a bad suggestion although again it will only raise, I say only, deference to one of the questions, only raise I think about a couple of hundred million pounds a year but it would be instrument to some extent increasing social justice but would it be electorally handicap to Labour, I feel it would so it's a dicey area with no clear cut resolution. I mean in principle we should have higher inheritance taxes but in practice political feasibility of it makes it difficult.

I was also thinking about Baby Bonds, yes, I'm in favour of them so called asset based redistribution which is what Baby Bonds are one version of whereby you don't just try to redistribute income but you try to give people assets at core parts of their lives and these assets will be given to young people when they reach a certain age and I think it's a basically a sensible ideal although easy enough to make significant difference, that's the issue with it.

Another question was about New Labour philosophy leaving the top alone and the questioner made several points saying should we tax more heavily the top 5%. I don't think anyone has proposed that, there are too many people in that category. Labour's chance of re-election would zero down if you propose that. The proposal is the top 1% from the Lib Dems. I said not a lot of money, I didn't say not a lot of money absolute terms I said relative to the total portion of taxation yielded in this country is actually a trivial amount compared to the amount that the government spends and I still think you can get a lot more from other sources in ways which will have a better social affect than attempting to raise such taxes which I think again would create an electoral vulnerability to Labour which wouldn't be worth the return that they'd get for it.

One of the questions was about economic policy creating social justice. Well I never said that. What I said was that I endorse New Labour's proposal or policies that you must have a stable economy, you must have as far as possible have decent growth rates if you are going to do something long term about inequality. It's no good doing short term things about inequality, you must have sound finances. It doesn't guarantee social justice, you must have a range of schemes that you fund through your economic success in order to do so, so it doesn't create social justice in on itself.

Two interesting final questions, one about devolution of power. Well, devolution I think is pretty important for social justice and there are really interesting findings of a study done around Europe in terms of local communities that had the power to raise income tax or to raise taxes, sorry, certain categories of taxes as compared to those who don't and the level of voting in local communities where there wasn't the possibility of raising tax was much lower than the level of voting in local communities which did have tax raising powers suggesting that people will vote if they see it's important therefore fiscal devolution is something which at least we

should be thinking about. The Lib Dems have been thinking about it more than Labour so far but to me it is a sensible platform of policy.

Finally the question about unpaid work. Yes, it's a crucial part of all of this but as I would see it Labour is attempting to increase levels of social justice around this area. Not I think just unpaid workers. The balance between work and life and especially for women and the Labour Party is proposing to introduce a more universal platform of child care of more or less free provided child care which the evidence shows is really, really important for overcoming social inheritance, really, really important for creating a more egalitarian society towards the bottom and I think this is good policy. It's not the same as unpaid work but it sort of cross cuts the boundary because it's important for women to be able to reconcile part time work with child care and obligations in the family. It's important for male parents also to have time off to look after children. This is also being proposed in Labour Party policy.

Unpaid work, well a lot of our society depends upon the unpaid work of carers. We know it does and it's a fundamental problem of inequality actually because many such people simply give of themselves to provide a social service and don't get much back for it. There is again I'm afraid no simple solution to that issue except for investment in services which will take over some of the activities of private carers where they are needed in nursing and other areas. I think actually Labour again has pretty decent policies on that.

Thanks to everyone for coming. Thanks to some of you for staying and thanks for such a proliferation of interesting questions.

[APPLAUSE]