

Knighthoods for the rich, sanctions for the poor: time for a new settlement



When he was London's mayor, Boris Johnson called for the nation's super-rich to be awarded '[automatic knighthoods](#)'. In contrast, David Cameron's government launched a rolling programme of benefit cuts, together with new punitive rules on benefit entitlement.

Rich and poor citizens have long been treated by different standards, but that gap has ballooned in recent times. Implicit in the social values that drove the post-war welfare reforms was the idea of reciprocity – that rights involved duties. But rights and rewards for the privileged and obligations and penalties for the poorest is a politics of division rather than of the common good.

Britain's system of reciprocity largely bypasses the rich. Lavishly paid corporate leaders and financiers get an easy ride from government, leaving them largely free to use their political and economic muscle to secure an inflated share of national wealth out of proportion to their contribution. Of course, there are plenty of innovative, job-creating entrepreneurs that have helped build the productive base that benefits wider society. Examples include the thousands of flourishing small companies, from London's Brompton Bikes to Stoke's Emma Bridgwater pottery. The nationwide shoe-repair and key-cutting specialist and family-run Timpson, with 5500 employees called 'the family', is amongst the largest employers of ex-offenders.

Yet, a growing proportion of economic activity involves multi-billion pound deals using highly questionable methods that have played havoc with jobs, pay, tax revenue and wider life chances. At odds with the interests of the economy, society and future generations, such deals reinforce Britain's embedded inequality driving institutional bias.

Today's wealthy elites hold a remarkable sense of personal entitlement, while taking a very limited sense of their own duty. They see their self-interest and that of society as one and the same. During the 2019 general election campaign, Britain's gilded class threatened to [leave](#) if asked by a new Labour government to accept greater obligations to society. Business leaders enjoy a huge range of benefits – from an educated workforce to a developed infrastructure. Before coronavirus, the bill for 'corporate welfare' in grants, subsidies and tax breaks stood at [£93 billion](#) (close to the total benefit bill excluding pensions). This comes free of conditions on tax dodging, employment practices, or social responsibility. Despite their complicity in the 2008 crash, top bankers were granted an immunity that was in great contrast to the story of the poor under austerity.

Compare this with the coercive treatment of benefit claimants. Despite near-peak levels of [poverty](#), official attitudes towards the poorest are not much softer than in the Victorian era. The rewards offered to a growing proportion of the workforce – from delivery drivers to cleaners and care workers – are job insecurity, low pay and often harsh working conditions, despite performing, as the pandemic crisis has revealed, the essential but poorly compensated tasks on which society depends. Millions are active citizens, carers and volunteers, mostly women, giving a good deal more than they take. These groups – unpaid and poorly paid alike – more than fulfil the obligations of social membership. Without them, society would grind to a halt.

So could Covid-19 provide the catalyst to rebalance society, to promote collective over individual interests and ensure a more even pattern of rights and responsibilities? The pandemic has already spawned a mass army of volunteers and changed the terms of the debate about public policy and the way society should function. Our views on who are the most valuable members of society has been turned upside down.

Some [corporate leaders](#) have already questioned Milton Friedman's long followed mantra that 'the social responsibility of business is to increase its profits'. Premier football clubs – and their highly paid players – are being pressed to share their cash piles to help struggling smaller clubs. But reliance on business leaders to voluntarily exercise greater social responsibility and give something back is likely to continue to leave society badly short-changed. Such responsibilities need to be formalised.

In return for the almost £100bn paid out each year in corporate cash support, for example, wider society could take an appropriate equity stake in the companies that benefit. Such stakes could also apply to the cash support rightly provided to large companies during the crisis – costing billions of pounds each week – and to the proposal to support strategic companies that would be 'too big to fail'. As in the bailout packages after the 2008 crash, little of this help carries any conditions. Yet, large corporations are in essence quasi social entities, operating in interdependence with wider society. Equity stakes and the new mutuality they would bring would formalise this relationship.

Such moves would socialise a small part of the economy, but not through traditional top-down nationalisation. The shares could be placed into a new [citizen's wealth fund](#), one owned by all citizens on an equal basis and managed by an independent board of guardians. The annual returns from the fund could be used to finance new public investment, or paid to *all* citizens through an annual [citizens' dividend](#). In Alaska, such a fund, financed by the proceeds of oil, has paid out an annual – averaging \$1100 – dividend to all citizens for nearly four decades. In Shetland, a trust – now worth £220 million – funded initially by the oil companies in return for locating a large sea terminal, has been used to fund public and social investment.

If supplemented by revenue from new, even modest, levies on Britain's towering wealth mountain – over six times the size of the economy, but often unearned and barely taxed – such a fund would grow to become a substantial new social instrument. It would ensure that a growing share of national wealth is held in trust for all citizens across generations. This approach would embed a powerful pro-equality force, and should be an essential element of a new post-crisis economic settlement.



Notes:

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