

[Predistribution is an old trick for an old dog](#) [1]

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Ed Miliband's new big idea is that wealth redistribution takes place too late. One has to be poor first to get government hand-outs of richer people's taxes. How much better it would if no one was poor and then redistribution, and all the bureaucracy that goes with it, could be consigned to history. We would all rejoice if benefits could be cut without further impoverishing the poor. He uses Sweden as an example of a predistributive country.

As Neil O'Brien points out in his [excellent article in Saturday's Telegraph](#) [3], Britain does have one of the highest levels of income inequality, seventh out of 34 OECD countries and that surely fuels the widespread discontent. Note the booing of George Osborne at the Olympics.

Unfortunately, Sweden is not a good example of a 'predistributive' country. Income tax only looks low because national (social) insurance is four times as high as the UK's. The Nordic countries public expenditure is far higher, maybe 50% higher, than the UK's share of GDP. They have grown accustomed to being high tax/high public spending economies. In other words, the hand-outs are given in different ways.

Two factors contribute to the inequality in the UK: housing costs and unemployment. They compound each other because housing costs are highest where there is most employment. Governments have tried to move employment to where it has most needed but moving the BBC to Salford and civil servants to Newcastle is not the answer. The employers most easily moved from the south east contribute nothing to the economy and it would be better to employ fewer civil servants than rehouse them elsewhere.

Inequalities will be reduced when, and only when, employees create more wealth than they earn. Sweden and Denmark, for example, achieve high personal incomes due to free markets and relative economic strength. Any government that tries to micro-manage its economy achieves precisely the opposite, especially if it tries to raise incomes when there is no productivity to pay for it. Older readers will recall the futility of government attempts, in the late 1960s, to direct prices and incomes. At the same time, the trades unions were doing their best to destroy such industry as we had.

Today we have Ed Miliband demanding higher personal incomes unsupported by national wealth creation and trades unions backing that up with calls for strike action. Welcome back, Old Labour.

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