

## **My Fair London response to 'A City for All Londoners', Sadiq Khan's statement of his ambition for his mayoralty.**

My Fair London welcomes the Mayor's statement 'A City for All Londoners'. The document contains a wide range of progressive commitments that will work to make our city better. We particularly welcome the attention given to inequality throughout the report. We think that the problem of extreme economic inequality underpins nearly all of London's strategic problems, and continues to erode and corrode the quality of all our lives as Londoners.

The widening gap between rich and poor is deeply damaging: it harms us all but particularly our children and young people, it erodes trust between us, and, in part as a result of lobbying in the interests of the wealthy, it has diminished the tax base and impoverished our public services. It also corrupts civil society. For the Mayor to deliver his promises on 'good growth', 'social integration' and to tackle London's pressing housing crisis he must lead the city away from the failed neoliberal turn, the fraud of 'trickle down' economics and the financialisation of society and our lives. He needs to show how our city can become more human, more humane and truly a 'City for All Londoners'. He must mind the gap!

This response highlights where we think the Mayor could be bolder or go further. It should be read in the context of our strong support for a Mayor who made tackling economic inequality such a strong theme throughout his manifesto.

We know many other organisations have responded to make detailed comments in their particular fields. We support for example the London Child Poverty Alliance's practical policy proposals. We would also commend to the Mayor the Just Space "Towards a Community-Led Plan for London" in respect of the Mayor's approach to the London Plan and the operation of his planning policies (empowerment is a key response to inequality). We would draw the Mayor's attention to the final report of the London Fairness Commission for a range of practical proposals, especially on housing.

### **A general comment**

We believe that the Mayor is well placed to set a course for London to move onto a different economic trajectory. We need our city government to set a new direction in economic policy, away from merely seeking to mitigate the worst impacts of inequality, towards a fundamentally fairer, more equal society. A huge weight of evidence shows that this will create a city where people are able to live happier, more fulfilling, more productive lives. We think 'A City for All Londoners' could paint a bolder picture of a future London where levels of shared trust are rising, community cohesion, solidarity and tolerance is strong, and where we all feel a shared sense of belonging and pride in our city. This will be a more equal and a fairer city. As a city and a nation we need to move on from barely managing the negative consequences of economic inequality and start to change how our economy works, and who it works for.

Economic inequality is a long-term problem. 40 years of failed neoliberal economic experiment has brought us to the extreme levels of inequity we experience today. British society has reached a point where we must set a new direction, towards a fairer society, with a fairer distribution of wealth, and narrower gaps between rich and poor. There is much evidence that more equal societies are not only better for everyone, they are also better able to mobilise their resources to tackle other social or environmental problems.

### A City for All Londoners – a stronger vision for a change of direction

To borrow a medical metaphor, prevention is better than cure. Many of the actions on inequality in a 'City for All Londoners' seem reactive, or defensive, and seek to protect people from the worst consequences of inequality. We believe the Mayor should engage more directly with the causes of the economic inequality that lies at the heart of so many of London's problems. We would propose that the Mayor's overarching vision for the city, that will set the direction for all his detailed policies, should include a clear statement that he wants London to change direction. The city must move away from a Faustian pact with a broken economic model, away from a model of city government that stokes any kind of economic growth it can get, while trying to claw back some fraction of the proceeds to mitigate the negative social and economic consequences of that growth.

Tackling inequality should be the central theme of Part One – we should only seek to accommodate growth if we can guide it in such a way that it will help us narrow gaps between rich and poor. As we say below, inequality and the related behaviour of our financial institutions is deeply implicated in London's housing crisis. And in Part 3, any determination 'that London remain the world's top global business city' must be coupled with a resolute commitment to challenge unfair and unjust business practices, particularly in the way profits are distributed. Reducing economic inequalities must be a central part of the Mayor's strategy for London's economy and London business community.

There is now widespread agreement across the political spectrum, from the OECD and the World Bank to the Prime Minister and the Governor of the Bank of England, that economic inequality has reached such extreme levels that it is a major risk to political and economic stability, global and local security, and any hope of an environmentally sustainable future. It is clear that economic inequality is deeply implicated in our collective global failure to respond to the problem of climate change with sufficient urgency.

We ask the Mayor therefore to lead for London and explicitly to incorporate into his vision for London a categorical statement that he wants London's economy to change course. We have reached a high tide of inequality, the gap between rich and poor has become a chasm and our environment, our city and our lives are impoverished by it.

The C40 global network of cities has shown global city leadership to tackle that other pressing global challenge: climate change. Perhaps the C40 offers a model? Economic inequality is a global problem, but it arises in particular places, and is particularly driven in key world cities. And London's role in international finance and trade puts us right at the heart of the problem. The Mayor should declare that London has had enough. We must change the way our economy functions better to share out the proceeds of productive human activity, and reject the negative parts of the way globalization, and particularly globalized finance work. At the beginning of the 21<sup>st</sup> Century city leaders can show the way towards a more just, humane, and equitable future for everyone.

A City for All Londoners: Sharing the proceeds of growth, and indeed of all economic activity

In the sense that many of the proposed policy directions seek to protect or ameliorate the impacts of inequality, we would support them. As My Fair London we restrict our comments to some of the key concepts in the document, and the issues that underlie them.

There is an urgent need to shift the way economic rewards and returns on investment are shared out across our city. 40 years ago, two thirds of company surpluses went into the pay packets of staff. Today two thirds go to shareholder dividends and rewards to senior executives. This dramatic shift in the allocation of rewards is at the centre of the growth in inequality in London. The nature of London's economy seems to particularly drive this unfair allocation of rewards. A City for All Londoners proposes that the Mayor's policy will be focused on promoting 'good growth' - presumably as opposed to bad growth. We welcome this recognition that London should not accept economic activity at any price.

We would suggest that any concept of 'good growth', must include 'fair growth', i.e. that returns generated, for example to investors or developers, should firstly be completely transparent, and secondly distributed fairly: between business owners, workers, investors and the wider public. We would suggest that narrowing income and wealth gaps, and fairer allocations of economic gains should be at the heart of the Mayor's planning, housing and economic policy.

We would encourage the Mayor to seek new mechanisms to capture some of the returns of 'good growth', and/or use his planning and other policies to exert the strongest possible influence on the behaviour of business interests. For example can he use GLA procurement powers, or planning powers, to require full transparency relating to the sources of capital investment, wage ratios, and planned allocations of profits within a company? This could be linked to policy requiring businesses to pay the London Living Wage and disclosures of gender pay ratios. Businesses who behave responsibly and who bring real benefit to the city should be encouraged, but the poor practice of others should be highlighted too.

My Fair London would welcome the opportunity to help define what the Mayor means by 'good growth'. The work of the National Institute of Health and Care

Excellence, using structured citizen surveys and panels to agree the value we collectively attach to different aspects of human health and life, might offer some guidance for the GLA to build mechanisms assessing the relative value to Londoners of different economic opportunities.

My Fair London made a submission to the London Finance Commission 2 on the kinds of tax raising powers and the kinds of taxes that might help the Mayor act both to re-distribute more wealth, and also to shift business behaviours away from rent seeking toward more productive, collectively 'valuable' investment. This would be a further component of the Mayor signaling to business interests that he wants a wholesale shift in business behaviour and corporate governance.

It will undoubtedly take time to turn London's economy away from its current dominant focus on intrinsically unproductive, often globally dangerous financial services, property speculation, and short-term, high return investment, towards 'good growth'. The Mayor is in a powerful position to say that London as a city no longer believes in 'trickle down economics' in any way (it has led to a massive flow upwards of wealth) and that the era of the financial 'Masters of the Universe' is over. The Mayor might want to explore the suggestions of Robert H Frank on how to persuade the rich that it is in their interests to contribute far more to society. His idea of a progressive consumption tax, perhaps initially focused on property, is well worth exploration.

The Mayor should commit to monitoring changes in income and wealth distribution across London. He should also monitor the degree of business transparency about the destination of profits generated and how rewards are distributed within companies. And he should lobby for a shift in tax policy so that tax returns become public documents. He could then set a target for a narrowing of the wealth and pay gaps in London, perhaps measured through pay ratio calculations.

#### A City for All Londoners – planning for a fairer city

We would encourage the Mayor to incorporate as much as possible of his definition of 'good growth' into the London Plan, such that the failure to deliver 'good growth' might be a reason for a development proposal to be rejected.

The London Plan must set out a long term, integrated vision for London. The new plan should therefore indicate clearly that an over-riding concern for the Mayor is to see a fairer distribution of wealth and income within London and beyond. My Fair London would argue that, given the huge weight evidence about the links between economic inequality and so many social, economic and environmental problems, the Mayor would not be meeting his legal duties relating to sustainable development, health, climate change or the good relations between people if this was not a central tenet of plan policy.

Setting a long-term objective for a fairer wealth and property distribution would have particular importance for housing in London. Professors John Hills, Danny Dorling and others have shown that London's housing crisis is in significant part

created because people near the top of the income and wealth distribution have been able to take more and more space. The individual behaviours of people near the top of the income distribution have individual and aggregate affects on the housing chances of everyone else. It is good that the Mayor mentions how London's property market now works to entrench wealth inequality, locking in advantage for property 'haves' and excluding property 'have-nots'.

The Government's unfair and ill considered 'bedroom tax' has at least helpfully set a precedent for space taxes. We would encourage the Mayor to explore options for a progressive 'bedroom tax' that would focus on the large-scale under-occupation of space at the top of the market. Bedrooms are valuable things in London. Having lots of spare ones is a great privilege, let alone private swimming pools, cinemas and saunas. This kind of use of space could very fairly be taxed in order to pay for community swimming pools, gyms and sports facilities. Indeed rich people should be encouraged to use the many community resources our city provides. Is swimming with other people impossible for the wealthy?

Over the last 40 years London's residential property prices have become grossly inflated, particularly by the flow of credit into the residential lending market. The Mayor's focus on improving terms and conditions for renters is very welcome, but he should also seek to shift the fundamental basis on which investment is raised of for new building, and the way credit is made available for the re-sale of existing properties. Property speculation based on the myth of ever rising prices is damaging for the wider economy and is an engine of inequality.

It is also worth noting that the influx of 'super-rich' individuals and overseas investment into the London property market has negative ripple effects throughout, further driving up prices and leading to the gross under-occupation of space. Full transparency relating to the source of overseas funds flowing into residential property, an outright ban, or at least aggressive tax on un, or under occupied properties are tactics being adopted by other cities around the world to prevent these distortions of urban housing markets.

At a detailed level we would commend to the mayor the policies proposed on housing by the London Fairness Commission, as a set of linked proposals that would help the Mayor meet his housing aspirations and create a fairer London.

A fairer and more equal city

The final section of 'A City for All Londoners' contains many welcome suggestions. We look forward to helping the Mayor develop his concept of 'social integration' and his clear recognition that economic and social injustice is linked and sits behind many of the health and social problems we face. We are not entirely clear how the Mayor intends to measure 'social integration' nor how we will know if we are making progress on it.

The Mayor could make it clearer that his efforts to pursue greater gender, race or disability equality will be seen as part and parcel of efforts to narrow income and

wealth gaps. For all groups of Londoners, economic inequality and its consequences should be the most pressing problem. Other forms of discrimination and prejudice compound the impacts of economic inequality, and the two are deeply intertwined. The social tensions in London between groups arise in part through the increasing economic segregation of different communities. Concerns about immigration and integration are exacerbated by economic inequality. Narrowing the wealth gap will make building bridges between communities much, much easier. We strongly support the Mayor in seeking to ensure London remains a city where people of different income levels live together in more mixed communities. Physical segregation fosters other forms of separation.

We would encourage the Mayor's to further develop his proposals to promote 'social integration' beyond a routine focus on equality of opportunity. The largest gaps between communities are wealth gaps, and the steepness of our economic and social gradients is the biggest impediment to 'social integration'. The discourse of equal opportunities can obscure a broader concern with more equal outcomes, between groups, individuals and communities. We would contend that creating a more equal society must be a pre-condition for more harmonious 'social integration', so a focus on equal opportunities per se, must be coupled with a focus on increasing economic equity. In a society where wealth allows individuals to entrench and protect their privilege and buy long-term advantage, equality of *opportunity* offers only the most marginal progress towards a fairer society.

In highly unequal societies individuals fight harder and harder to assert and protect their individual identities. This happens across the social spectrum but becomes particularly damaging at the bottom. The violence of 'disrespect' arises in the context of extreme inequality. In very unfair societies people near the bottom fight each other over the smallest tokens of status. Members of our poor communities need to see that the Mayor is concerned with fairer outcomes for all people, in terms of resources as well as opportunities, in order to credibly address the problems of crime and violence on our streets.

### Poverty reduction

My Fair London strongly supports the many proposals the Mayor makes to tackle poverty in London. The fact that absolute poverty is back, and that diseases such as rickets and TB are once again reported in London, is an indictment of the functioning of London's economy and our collective failure to fairly distribute the great wealth generated by our economy. There is an urgent need to raise living standards at the bottom of society.

However we would observe that poverty and inequality, while strongly related, are separate problems. In wealthy societies poverty is properly measured as a relative phenomena. Once our most basic human needs are met, how poor we feel (and the harm our position on the social scale causes) is related to how wealthy others are. If the incomes of the wealthy continue to increase far faster than anyone else's, measures to tackle relative poverty are doomed to failure. In

wealthy societies the social problems caused by poverty are very significantly related to the relative steepness or gentleness of the social gradient. Narrowing the gap between rich and poor must be a fundamental priority.

Many of the most significant problems facing London can be traced back to the behaviour of our richest citizens, whose reckless and self defeating acquisitiveness unconsciously and inadvertently harms everyone else, with the severest harms being experienced by the people at the bottom. The sense of entitlement and privilege of those at the top of society must be challenged, their dependence and reliance on the rest of us emphasized. We strongly support the Mayor's efforts to create a city where people feel collective, shared responsibility for each other and for the city itself.

### Health and inequality

There is a growing body of scientific evidence that people thrive when we feel more in control of our lives. A City for All Londoners notes that social and economic inequalities drive unfair differences in human health. More unequal societies are particularly harmful for people at the bottom but they are bad for us all. Emerging research suggests inequality affects the functioning of our immune systems, and we know that the chronic stresses caused by living in an unequal society are related to higher levels of heart disease, obesity and certain forms of mental ill health, for everyone, not just the people at the very bottom. Narrowing the gap between rich and poor will help the Mayor achieve his ambition 'for a healthier, fairer city....where nobody's health suffers because of who they are or where they live.'

My Fair London thanks the Mayor for the opportunity to comment on 'A city for all Londoners'. We welcome the commitments he has made to tackle inequality. We ask him to go further and put tackling economic inequality at the heart of his economic policies. We look forward to working with him and his administration to make London a world leader in reducing inequality.

### Selected references:

**The Spirit Level: why more equal societies almost always do better?** R Wilkinson and K Pickett, London, 2009

**Injustice, why social inequality persists,** D Dorling, Bristol 2010

**Inequality and the 1%,** D Dorling, London 2014

**The Health Gap: the challenge of an unequal world,** M Marmot, London 2015

**The Bleeding Edge: why technology turns toxic in an unequal world,** B Hughes, Oxford, 2016

**The London Fairness Commission,** final report, London, 2016

**Luck and Success: Good fortune and the myth of meritocracy,** R H Frank, Oxford 2016

Mark Carney, *The Spectre of Monetarism*, lecture, Liverpool, 2016

<http://www.bankofengland.co.uk/publications/Pages/speeches/2016/946.aspx>

My Fair London is an autonomous, independent group of Londoners. We campaign for a fairer city, inspired by the growing evidence that inequality is bad for everyone. We are affiliated to the Equality Trust. For more info visit [www.myfairlondon.org.uk](http://www.myfairlondon.org.uk)