

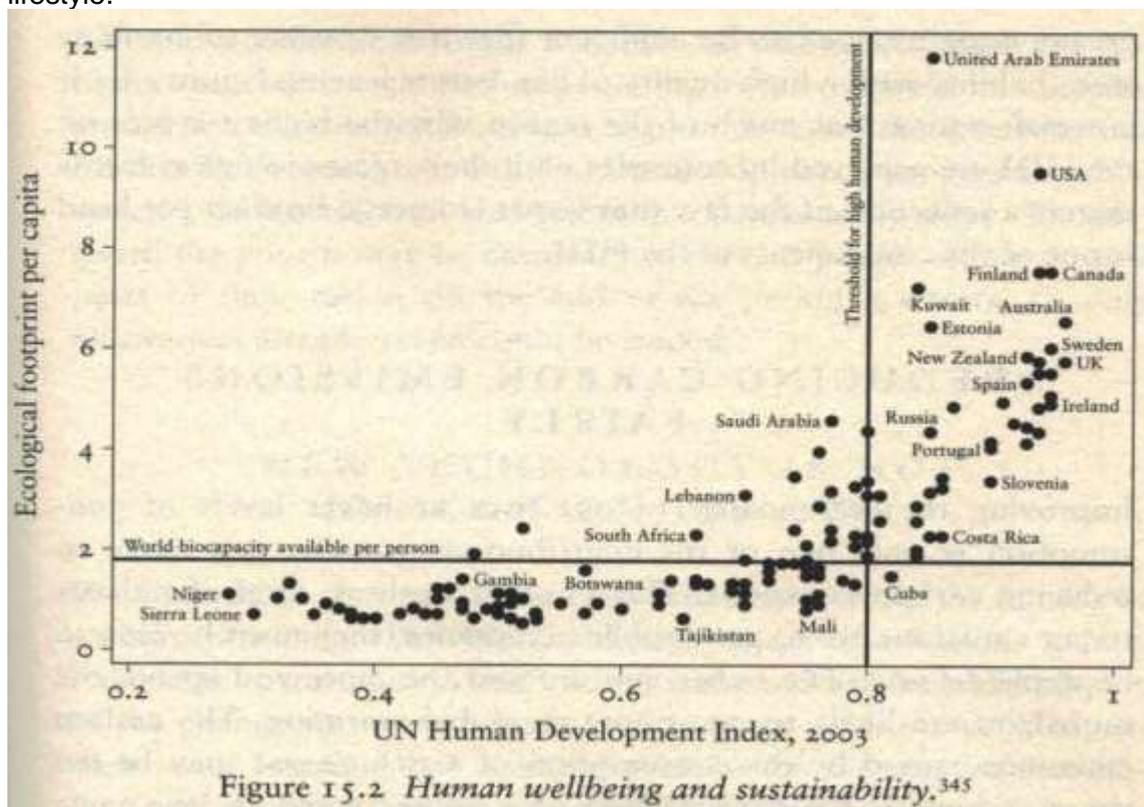
President's Blog

Greater economic equality builds a stronger society

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While reading the latest ASMS newsletter a reference caught my eye (1), so I tracked it down. "The Spirit Level" is a book which is co-authored by two British Professors of Epidemiology. It's a fascinating read which I found inspirational as the values and concepts are in line with the underlying NZSA philosophy of the need for a strong and healthy community. The book's thesis is that greater financial equality makes societies stronger. The authors looked at many aspects of life – health (physical and mental, which included depression, anxiety and suicide), crime (violence, prison policies, homicide) and the environment (materialism and climate change). It is well recognised that health and violence are more common amongst the poor, but the authors go beyond this to say that almost all problems which are more common at the bottom of the social ladder are also more common in unequal societies – despite the affluence of these societies, with leading examples being Singapore, USA, Portugal and the UK. They describe this situation as "social and economic dysfunction."

This hypothesis was first put forward in the 1980s in the Brandt Report. An Independent Commission was chaired by Willy Brandt (a former German Chancellor) to review and understand the drastic differences in economic development between the Northern and Southern hemispheres. (Australia and New Zealand being the exceptions). There is a correlation between economic sustainability and social sustainability. This graph from the book expresses the unsustainability of our current lifestyle.



Although we would like to live in a society with a high index of well-being and development, i.e. right of the vertical line, apart from Cuba, this seems to be an unsustainable goal – i.e. above the horizontal line.

Neuroscience is cleverly tied in by the authors, for example oxytocin release in response to positive social interactions and its effect on the reward centre. Social science is also tied into the increasing number of police here in NZ and our poor record of prisoner rehabilitation, which is highly reflective of income inequality. In post-war Britain there was a major flattening of income distribution and improvement in social indices, and a similar phenomenon occurred in Japan. By contrast, post-Soviet era Russia moved away from a centrally controlled economy to the market model with concomitant increases in income inequality, crime etc.

To paraphrase; affluent countries such as our own, which have an unequal distribution of wealth, are not only squandering resource but doing this at the expense of the health and happiness of their citizens. This quote gives an interesting perspective:

“No man is an island, entire of itself. Every man is a piece of the continent, a part of the main.” John Donne Meditation XVIII. (A complex character, poet, priest and perhaps also a bit of a scoundrel).

So, it is a big problem and only getting worse. The conclusion is simple of course – redistribute wealth. Suddenly I am sounding like a raving socialist... But this is where it gets interesting and where I see some common threads coming together; both in terms of wealth redistribution and health – arguably our business. Is this simply about tax and if so, what tax reforms do we need? Clearly it is not just about tax, but nevertheless it's a good place to start.

Our government is now reviewing tax revenue collection, or as finance minister for Louis XIV Jean-Baptiste Colbert put it, “plucking the goose so as to obtain the largest possible amount of feathers with the smallest possible amount of hissing.”

A recent *Economist* (2) devoted a supplement to taxation review, looking at the growing concern of policymakers regarding current levels of inequality. For example, tax systems struggle to capture the value of intellectual property and the cross-border transfer of funds. Most solutions often exacerbate an already complex system and frequently open loopholes and incentives previously unthought of. Their conclusions (to simplify a long and complex essay); increase inheritance and property tax, and reconsider a land tax. They don't favour taxing other forms of capital as it discourages investment. Land tax is interesting and was first proposed in the late 1800s by journalist Henry George. Most New Zealand homeowners are familiar with this concept as this is how our local governments determine our rates. Although apparently even in progressive NZ the trend has been to increase the property or capital value component and reduce the land tax.

I read in the NZ Herald (3) about the success of Mixed Ownership Model companies (such as Meridian, Mercury and Genesis Energy). Their success is based on a number of factors, but where the rubber hits the road is investment return. They've done well with 20% return per annum. “The Crown has received more in dividends on its 51% stake than it did when it owned 100%.” I have specifically used the dividend example as both the Epidemiologists mentioned above and more recently US Senator Elizabeth Warren, advocate for changes in the management structure of large companies. Both propose a stakeholder focus rather than shareholder

“supremacy” or the traditional fixation on quarterly dividend distribution. Senator Warren has called this, “The Accountable Capitalism Act.” This is significant for two reasons; not only does it herald a major shake up, but Senator Warren is also considered a potential democratic presidential candidate.

In a nutshell the charter demands company directors to consider the interests of all relevant stakeholders when making decisions – shareholders, as well as customers, employees, and the communities in which the company operates. It is hoped that company culture will encompass social and environmental values, rather than simply profit and loss. (Another common thread is the environment)

Senator Warren argues that stakeholder capitalism would produce stronger long-run growth and higher living standards for the vast majority of the population. However, in the short-term this proposal would be bad – really bad – for rich people. The share market could lose up to 25% of its current value. Although this sounds socialist the paradox is and I quote:

“Offering the public not a huge new expansion of government programs, but a revival of the mid-century stakeholder capitalism that once built a middle class so prosperous that the idea of surging mass interest in socialism was unthinkable.” (4)

As if to confirm the destructive pathway our society is following, the NZ media recently reported that for the last four years running, the number of suicides has increased. In addition, I’ve read a number of editorials which imply that the battle to avoid the major environmental sequelae of climate change is already lost. So, if you’re a pessimist give up, but if you’re an optimist the message is clear – we need to change. And it is much bigger than not using plastic bags or riding your bike to work.

Securing more buy in by workers and stakeholders, I noted a parallel in a recent Anaesthesia editorial (5) looking at the success of CEPOD (Confidential Enquiry into Perioperative Deaths) but now known as Enquiry into Patient Outcome and Death. The first recorded minutes are from 1987. The common themes?

1. NCEPOD only works because of massive on site, grassroots clinical input, all of which is voluntary, therefore due to the stakeholders. We have our own similar system to NCEPOD in the form of ANZTADC.
2. Finally, the common theme that comes out of all reports, including those of the HDC and Senator Warren are:
 - a. Communication.
 - b. Communication: Between us and patients, i.e. informed consent.
 - c. Communication: Amongst ourselves, i.e. notes and handover.
 - d. Communication: Review of process, M and M and audit.
 - e. Communication between company boards and stakeholders.

Once again, I hope this has stimulated your grey matter and may the force be with you.

David.

References:

1. The Spirit Level, Richard Wilkinson and Kate Pickett.
2. The Economist, August 11th-18th 2018
3. Fran O’Sullivan comment, NZ Herald August 22nd, 2018.
4. <https://www.vox.com/2018/8/.../elizabeth-warren-accountable-capitalism-corporations>

5. A Goodwin and K Wilkinson, Age Cannot Wither Her? NCEPOD at 30. *Anaesthesia* 2018, 73, 923-945.