

Beware politicians who promise you fairness

Is it too late for a new year wish? Here's one anyway. I wish politicians would stop talking about fairness. "Fair" must be the most overused word in politics. Every policy proposal is promoted on the basis of its fairness. Every speech, every green paper, every manifesto is full of it.

The word "fair" or "fairness" appeared more than 30 times in last year's Labour election manifesto, and even more frequently in the Conservative one. The main parties are in furious agreement over the need for greater fairness in everything from the tax and welfare systems to pay, prices and corporate governance.

So are we all. How marvellous to have a nation so united in its commitment to justice and fair play. It's just that we, like the Conservative and Labour parties, understand very different things by it. My fair tax system is your unjust imposition on hard-working men and women. My fair immigration policy is your attack on migrants' human rights. My fair welfare system is your iniquitous reward for idleness.

Some of these disagreements are down to misunderstandings of the facts. People think a far higher proportion of the population are immigrants than is actually the case — 25 per cent against the real figure of 13 per cent, according to one survey. More remarkably they thought that 20 per cent of the population was Muslim when only 5 per cent is. Other perceptions are equally wrong. People think there are three times as many unemployed people and five times as many teenage pregnancies as there actually are. As a result they massively overestimate how much of the welfare budget is spent on teenage mothers and the unemployed — and believe that to be unfair.

It's hard to make judgments about fairness when our grasp of the basic numbers is so shaky. It's also easy to manipulate our views. The Institute for Fiscal Studies, of which I am director, recently ran an experiment to see what people thought about the fairness of the income tax system.

Just ask people, and about half say that it's unfair because the rich don't pay enough. Tell them, correctly, that the richest 10 per cent of taxpayers earn more than the whole of the poorest half put together, while someone earning £145,000 pays the same tax on an extra pound as someone earning £45,000, and more than 70 per cent agree it's unfair. If you instead tell them, again correctly, that four in ten adults pay no income tax at all and that the top 10 per cent of income taxpayers pay 60 per cent of all income tax then you get a very different answer. The fraction concerned about the unfairness of the system drops by more than a half.

You can see the same process at work when it comes to university tuition fees. Say that it leaves students with £50,000 of debt and it sounds dreadfully unfair. Say that it means imposing a higher tax rate on high-earning graduates rather than on the population as a whole and it begins to sound a lot fairer.

Different claims about fairness also hide other important disagreements. High taxes will always look fairer if you disagree with the rules of the system that result in an unequal distribution of income and wealth — if you believe that companies have too much power relative to workers, for example, or that some people never get a shot at the best-paid jobs. Similar worries might make you favour higher welfare benefits. The former Labour leader Ed Miliband, rather awkwardly, tried to articulate this when he talked about “predistribution”, changing the rules of the market game. And don’t forget the government sets those rules just as surely as it sets tax rates.

The Conservatives got into dreadful trouble over their manifesto proposals on social care funding. We have spent decades making no progress on how to reform the funding system, partly because of the way we think about fairness. Some think it unfair that anyone should have to use their own assets, including their house, to pay for care. Yet one of the reasons why proposals to cap the amount that anyone has to pay have not been implemented is because, compared with the system we have today, the winners would be the relatively well-off.

In fact, this is a fundamental disagreement about the role of the state as much as it is about fairness. If you think the state is there to provide a degree of social insurance, stepping in where private insurance markets don’t work to pay for those who are unlucky enough to need care, then you are likely to favour it paying all the costs above a certain level. That’s how we tend to think of the NHS. But if you think the state is there just to redistribute money from rich to poor then you might think it unfair.

Of course fairness matters. One of the most important objectives of any government is to move us towards a society which most of us believe is fair. That’s why they talk about it so much. But successive governments have manifestly failed to achieve it. One problem is that there is so much misperception of what the world is really like.

More importantly, the way we talk about fairness doesn’t help. It obscures many fundamental questions such as what rules should govern the market and how big a role we want the state to play in our lives. That’s what we should be talking about. Simply crying “it’s not fair” helps nobody.

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