



## Wellbeing Economy 101: Predistribution

# Building the economy we could have

A series of ideas, case studies and concepts exploring how we move to an economy that works for people and planet. See more of the series [here](#).

Australia used to do fairly well in terms of predistribution (that is, for white, able-bodied males). But [no longer; we've become an 'assetocracy'](#) where access to assets tends to be what shapes our life chances and life choices. To get Australia back on track as an egalitarian country, we must focus on predistribution to make sure our economy is set up to benefit people and planet by design.

## Origin Story

The term predistribution was coined by the American scholar Jacob Hacker who [describes](#) it as 'market reforms that encourage a more equal distribution of economic power and rewards even before government collects taxes or pays out benefits'.

## What does predistribution mean?

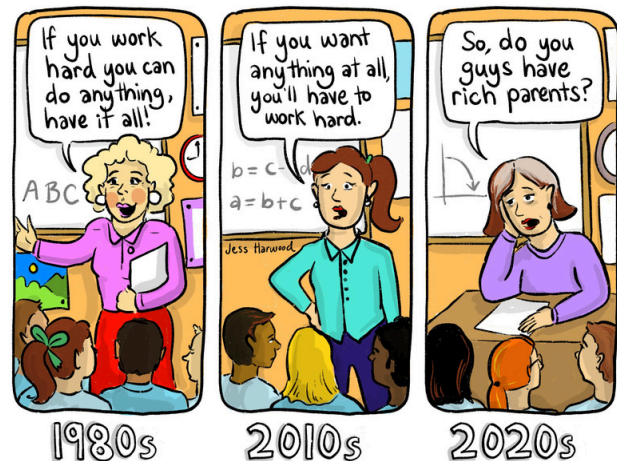
The essence of the idea of predistribution is ensuring that the market economy does more of the heavy lifting in delivering a more balanced divvying-up of resources. British scholar Martin O'Neill [explains](#) it as 'the particular ways in which the economy can be shaped to disempower the privileged and to empower the disadvantaged'. Its focus is on market [mechanisms that determine](#) the distribution of wages, profits, and other flows and stocks of money.

Government comes into the predistribution story via [its role](#) in creating and shaping markets so that the results are aligned with public goals: using [rules, incentives and other levers](#) to shape market outcomes. [This includes](#) boosting (or curtailing) the bargaining power of market players such as workers, employers, and wealth holders.

Therefore, it differs from government using tax and benefits to shape the distribution of economic resources after market outcomes have emerged: this is redistribution.

## Why it matters

Inequality arises in and can be addressed via two realms. Firstly, what is [sometimes called](#) the 'primary' realm of work, wages and occupational pensions, and then in the secondary realm comprising taxes and benefits. Predistribution is about action in the primary realm. Here the wages that workers earn are the outcome of 'a complex process of implicit and explicit bargaining between workers, employers, and (where they exist) unions': [the influence of each compared to the others matters](#), and is a function of various rules and regulations.



This is of interest to anyone interested in economic inequality because this realm is where the bulk of the balance or imbalance of economic resources arises: the [biggest single factor](#) in determining the distribution of market income is the relative shares going to wages on the one hand and to capital incomes (rent, interest, dividends, and capital gains) on the other'.

In Australia, Richardson and Stilwell state that ['capital gains arising from accumulated wealth have produced large increases in passive, unearned income that have added further to the wealth of the rich.'](#)

Predistribution [does not require government to spend substantial](#) quantities of public money. Instead, in reducing inequality at source governments can generate fiscal savings by reducing the need for spending downstream (on benefits), thus freeing resources to spend elsewhere.

Predistribution also matters because of the [growing recognition](#) that economic growth-based agendas are incompatible with keeping the world's environment within planetary boundaries. Redistribution tends to rely on the economic growth: grow, tax, and spend back via welfare. So, taking the science around the environmental limits to growth seriously compels consideration of mechanisms to ensure a good life for more people without having to rely on the grow and redistribute recipe.

## Implications for action

Convinced that predistribution is worth getting behind? Superb. What might you want to think about encouraging – or, if you happen to work in the right place in government, implementing?

Actions that policy makers need to be prepared to implement to promote predistribution [include](#):

- Support for worker owned cooperatives (for example, via reduced taxes, simplified legislation, and education of ancillary services so they are more supportive of cooperatives).
- Legislation for worker rights and conditions ([such as](#) job security, being able to request flexible schedules and access to paid leave for family care).
- Regulations to strengthen the position of trade unions (what Hacker [describes](#) as a ‘countervailing power’) and corporate governance that puts workers on company boards.
- Enactment, and enforcement of minimum wages set at the level of living wages.
- Curbing extremes of high pay (for example, increased taxes when CEO to median pay exceeds a certain ratio).
- Broad based service provision that bolsters people’s endowment of human capital (such as decent education, vocational training, and health services).
- Addressing affordability of basic needs (for example, via provision of affordable housing, price caps on important services, and competition policy).
- Support for people who would otherwise struggle in the labour market to access good jobs (perhaps even a job guarantee).
- Regulation of financial markets and [promotion of financial stability](#): for example, of [how financial institutions behave](#) (reducing high frequency trades, for instance); shifts in corporate governance; and ensuring capital flows to productive activities (rather than subsidising harmful activities and products).
- Promotion of fair trade.
- [Taxation of wealth](#), in particular unearned wealth.
- Public procurement with social goals in contracts.
- Community Wealth Building that builds economies from the local up via local ownership, local procurement, and local employment.

## Conclusion

Predistribution is a critical lever for generating a more balanced distribution of wealth. It’s an upstream mechanism that heads off inequality before it arises by shaping market outcomes to be fairer, rather than depending on government to even things up once inequality has emerged. There are a range of actions governments and other economic players can take to predistribute economic resources. Now it’s time to start talking about it more and putting the changes in place to make the most of its potential to create the economy we could have!

Read the report: [\*\*\*The economy we could have\*\*\*](#)

See more in the series: [\*\*\*Building the economy we could have\*\*\*](#)

## About The Next Economy

Australia's regional communities are navigating profound economic change – energy systems, land use, industry structure, workforce and climate impacts among them – all shifting at once. The Next Economy (TNE) works at the frontline of this complexity, partnering with regions, governments, industry and civil society to reimagine and shape economies that are regenerative, climate-safe and socially just.

Our economic systems change work is led by Dr Katherine Trebeck and supported by Josie Foster. Learning from both the regions TNE works with and the efforts in Australia and around the world to transform the economy for people and planet, they work to bring wellbeing economy concepts to a wider audience, opening up the potential for the economy we could have.

TNE is a not-for-profit company and registered charity (ACNC), with Deductible Gift Recipient status through the Foundation for Rural and Regional Renewal. Support from donors and partners directly enables this work - in regions that need it most.

## Acknowledgement of Country

The Next Economy acknowledges the Traditional Custodians of the land and sea in the regions where we work. We pay our respects to their Elders, past and present, and offer our solidarity and support to First Nations groups across the country working towards economic sovereignty and justice.

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## Keep in touch

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