

## Good capitalism

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I wrote this in September. It seems as relevant now given the debates on what good capitalism is going on between the various political parties. None is coming close to this:

"Ed Miliband has announced himself in favour of good business. I am delighted he has. So am I. It's astonishing that some are saying that by declaring himself against spivs, chancers, asset strippers, speculators and tax avoiders he is somehow anti-business. Far from it: he's declared himself very pro-business precisely because it is these people who are any-business.

But being anti-something is not good enough. Being pro-good business is what is required and that requires a clear understanding of just what a good business might be. I'm not seeking to offer a definitive guide here, but take these as examples. A good business:

- 1) Makes clear who it is so people know who they are dealing with
- 2) Makes clear who runs it
- 3) Makes clear who owns it
- 4) Makes clear the rules by which it is managed
- 5) Puts its accounts on public record if it enjoys limited liability, and does so wherever it is incorporated whether required to by law or not
- 6) Seeks to comply with all regulation that applies to it
- 7) Seeks to pay the right amount of tax due on the profits it makes in the place where they are really earned and at the time they really arise
- 8 ) Seeks to pay a living wage or more to all who work for it

9) Recognises trade union rights

10) Operates a fair pay policy so that the pay differential between highest and lowest paid in the company cannot exceed an agreed ratio that should never exceed twenty

11) Makes fair pension provision for all employees

12) Does not discriminate between employees on the basis of race, nationality, national origin, gender, sexual orientation, age, disability and similar such issues

13) Does not abuse the environment

14) Has a clear code of ethics that it publishes and is seen to uphold

15) Is transparent in its dealings with customers

16) Seeks at all times to minimise risk to those it deals with and takes all steps to ensure they know what those risks are

17) Accepts responsibility for its failings and remedies them

18) Works in partnership with its suppliers and does not abuse them

19) Advertises responsibly

20) Creates and supplies products meeting real human need

I could readily add to that list, which I do not think I have tried to prepare before. But the gist is obvious.

So what would this look like in practice, meaning how could this status be assessed? This was a question I was asked by a councillor last night who wanted to put good ethics into practice in his council's procurement policies.

I hope that the assessment criteria for the above should be clear in most cases with the exception perhaps if the fact that this list clearly implies the need for country by country reporting to explain:

- What it is called where it operates meaning it must name each subsidiary and specify where it operates
- Its profit and loss in each country and jurisdiction in which it operates
- How much tax it pays on the profits it earns in each jurisdiction
- What its internal trading is so that its transactions within its internal supply chains can be identified

- How many people it employs in each jurisdiction that operates in and how much it pays them in aggregate plus their pension cost
- How much it has invested in tangible assets and working capital in each jurisdiction on which it works.

Only then is the data to assess whether it is a good corporate citizen available for assessment.

The final part in this equation is suggesting an assessment criteria for what is a good company. In some cases this will, again, be obvious from the suggestions made. For example, it might be expected that a company either recognises a union or it does not. However things are rarely that simple. Different subsidiaries in different countries may or may not recognise unions so composite scores are possible.

Other indicators can be prepared using this data. For example explainable and unexplainable presence in tax havens becomes an issue when the number of subsidiaries in such places are known. The proportion of trade through or assets in such places also becomes significant assessment criteria if country by country accounting data is available. The likelihood of tax compliance can also be assessed properly when country by country reporting data is available.

‘So what?’ might then be the question. What would be the point of all this? Well when things are measured behaviour changes, we know that. But more significantly the government is a major purchaser from many companies. If its procurement policy was based on the requirement that a company meet a minimum standard or no contract could be issued then this becomes a very powerful tool indeed, and those criteria need not be consistent. So, for example, in the case of PFI offshore might simply be a non-starter.

The point though is this: we can identify good companies and the introduction of country by country reporting would make the whole task a lot easier.

What this means is simply this: reform to our currently unacceptable corporate culture is possible. All it takes is political will and we can do it.

Is that will available? That’s the question."