

FABIAN REVIEW

The quarterly magazine of the Fabian Society

Summer 2013 / fabians.org.uk / £4.95



THE INEQUALITY BOOM

*New research by Howard Reed shows how the coalition is taking us back to the 80s on inequality **p8** / Andrew Simms on getting over growth **p14** / Why tackling child poverty still matters by Kate Bell **p18** / Mary Riddell speaks to Arnie Graf about Labour's campaigning revolution **p20***

independent thinking from polity

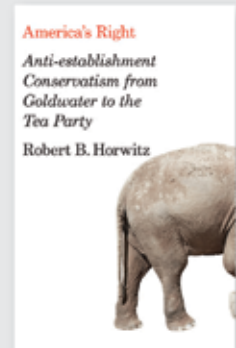
America's Right Anti-Establishment Conservatism from Goldwater to the Tea Party

Robert B. Horwitz

"Vital for understanding American politics, past and present. It is also a gripping read."

Wendy Brown, University of California, Berkeley

May 2013 • Hb • 978-0-7456-6429-3 • £20.00



German Europe

Ulrich Beck

"A brilliant and succinct analysis of the political genius of Angela Merkel."
Charles Moore, Sunday Telegraph

March 2013 • Hb • 978-0-7456-6539-9 • £16.99



Gridlock Why Global Cooperation is Failing when We Need It Most

Thomas Hale, David Held and Kevin Young

"A must-read for those thinking about a better global governance."
Pascal Lamy, Director-General of the World Trade Organization

March 2013 • Pb • 978-0-7456-6239-8 • £17.99



Celebrity Politics

Mark Wheeler

"A fascinating insight into the parallel developments of the celebritisation of politicians and the politicisation of celebrities."

Times Higher Education

June 2013 • Pb • 978-0-7456-5249-8 • £16.99



FABIAN REVIEW

Volume 125—No. 2

Leader

Andrew Harrop 2 Bringing back equality

Shortcuts

- Margaret Hodge* 3 Why tax matters
Peter Taylor-Gooby 3 Decent welfare we can afford
Rupa Huq 4 Postcards from the edge?
Stephen Timms 5 Labour's way
Marcus Roberts 6 For tomorrow
Sofie Jenkinson 7 For everyone and for ourselves

Essay

Howard Reed 8 The inequality boom

Feature

Reality or rhetoric?

- Richard Wilkinson & Kate Pickett* 12 Is society stronger?
Puja Darbari 13 Are fewer children in poverty?

Feature

Andrew Simms 14 Do you want to grow forever?

Policy Pitch

Sophia Parker 17 Unsqueezing the middle

Feature

Kate Bell 18 Investing in childhood

Interview

Mary Riddell 20 Power to the people

Books

Arun Chopra 23 The symptoms of austerity

Feature

Sol Picciotto 24 A taxing problem

26 Fabian Society section

**FABIAN
SOCIETY**

FABIAN REVIEW

Fabian Review is the quarterly journal of the Fabian Society. Like all publications of the Fabian Society, it represents not the collective view of the Society, but only the views of the individual writers. The responsibility of the Society is limited to approving its publications as worthy of consideration within the Labour movement.

Editor, Ed Wallis

Editorial Assistant, Sofie Jenkinson

Printed by DG3, London E14 9TE

Designed by Soapbox, www.soapbox.co.uk

ISSN 1356 1812

review@fabian-society.org.uk

FABIAN SOCIETY

61 Petty France
London SW1H 9EU
020 7227 4900 (main)
020 7976 7153 (fax)
info@fabian-society.org.uk
www.fabians.org.uk

General Secretary,
Andrew Harrop

Deputy General Secretary,
Marcus Roberts

Events and Partnerships
Head of Events and
Partnerships, Olly Parker

Events and Partnerships
Assistant, Daniel Stevens
Events Manager, Anya Pearson

Editorial
Head of Editorial, Ed Wallis
Editorial Assistant,
Sofie Jenkinson
Media and Communications
Manager, Richard Speight

Research
Senior Researcher, Natan Doron
Researcher, Rob Tinker

Membership
Membership Officer,
Giles Wright
Local Societies Officer,
Deborah Stoate

Finance and Operations
Head of Finance and
Operations, Phil Mutero

Fabian Women's Network
Seema Malhotra,
fabianwomen@fabian-society.org.uk



© Kenn Goodall / bykenn.com

Bringing back equality

Labour must rediscover its egalitarian core—*Andrew Harrop*

NEW RESEARCH FOR the *Fabian Review* reveals that income inequality is set to rise during this parliament by as much as in all the Thatcher years. But since 2010 barely a word has been heard from the Labour party on equality, certainly compared to past generations. Has Labour been fiddling while Rome burns?

In opposition, much of Labour's intellectual renewal has come from the Blue Labour movement, with its focus on identity, relationships, values and community: a conscious shift to a left politics more interested in people's lived experience than conceptual abstractions like equality.

The things that Blue Labour is interested in matter; but the things that it ignores matter too. It is under five years since the publication of *The Spirit Level*, which showed that aggregate measures of financial inequality are deeply intertwined with the health of society, including Blue Labour-ish aspirations for control and meaning in our lives; for strong communities, relationships and shared identities.

The Blue Labour perspective risks leading Labour away from its emphasis on empirical, strategic government action aimed at addressing inequality. This could be a profound misstep, for economic inequality will never fall without three forms of state action: investing in people to strengthen their personal endowment; redistributing through taxation, social security and public services; and reshaping markets so that economic rewards are more fairly shared across society.

New Labour failed to address the third of these strands, except when it came to its fine record on full employment. In this light, the party's current turn to 'predistribution' is a key development, with its growing focus on earnings, economic power, women's employment and the cost of living.

But we must not forget that Labour did a huge amount to invest in children and redistribute incomes which will have a lasting impact, as recent research from the LSE has shown. The startling improvements in the schooling

of poor Londoners or the huge and enduring reductions in pensioner poverty show the transformative power of government in tackling inequality.

Labour must defend the legitimacy, efficacy and affordability of this sort of public intervention, but this message will be undermined if people on the left paint all state action as inherently disempowering. Where, in truth, would we really argue for less welfare state: is it pensions, health and social care, as life expectancy increases; or early years, education and investment, for our ideas economy? In these areas the communitarian critique is really about the 'character' not the 'quantity' of public provision.

That's about more being done with and by us, not to us; with public provision rooted in institutions and relationships, not transactions that simply mimic the market economy. This is not a hard ticket for most of the Labour party to sign up to. In this, as with its economic prescriptions, Blue Labour's policy programme often feels like a recasting of the political and economic pluralism of the early-1990s, typified by Will Hutton's *The State We're In*.

The big difference is that Blue Labour embodies a moral concern with the potentially corrupting effects of working-age social security, in the manner of Frank Field or Iain Duncan Smith. This is not a debate the left should ignore (although New Labour was itself alive to these questions). But such a denigration of social security risks contaminating wider commitments to a strong and affordable welfare state.

We need to remember social security itself really does matter for inequality. Replacing cash with services or hoping for fairer market distributions will never obviate the need for financial support for families if we are to equalise life chances, something Beveridge knew 70 years ago.

Faced with a Thatcher-style surge in inequality, Labour must rediscover its egalitarian core and never forget that redistribution must be part of the answer. **F**

Shortcuts



WHY TAX MATTERS

To restore confidence in the worth of public spending, we have to demonstrate that taxpayers' money is being well spent, writes *Margaret Hodge*

At a time when public money is tight, it is more important than ever that government collects every pound of tax due. Public spending has the power to transform life chances, but a future Labour government will have to get to grips with the deficit too. Maximising government income by tackling aggressive tax avoidance and evasion is essential.

This is a moral issue as well as an economic one. For those of us on the left, tax is a basic part of the social contract. We believe that everyone has a duty to contribute, according to their means, to the common good. Paying your tax is an obligation, not a matter of choice.

That extends to big global companies operating here in the UK. They enjoy the benefits of our public services and infrastructure, so it is only right that they make a fair contribution towards funding them. It is not good enough for companies like Starbucks, Amazon and Google to argue that they pay other taxes like PAYE and national insurance. Multinationals have a duty to pay the appropriate amount of corporation tax relative to the profits they make in each of the countries in which they do business.

This is not an anti-business agenda: it is pro-fairness. Tax avoidance by global companies is anti-competitive and puts British businesses that cannot or will not do the same at an unfair disadvantage. Small businesses are the key to our economic recovery, but they cannot compete with the likes of Starbucks and Amazon when they can keep their prices low because they are paying little or no corporation tax.

For too long government has run scared, fearful that businesses will abandon the UK if we get tough on tax. I just don't believe it – even Eric Schmidt has admitted that “Google will continue to invest in the UK no matter what you guys do because the UK is just too important for us”.

Under Labour, businesses accepted some regulatory responsibilities like the minimum wage, maternity rights and flexible working. They have also started to become more accountable on environmental and social issues. Paying their fair share of tax should be at the heart of a new responsibility agenda.

We need to get much better at scrutinising and monitoring contracts, and those who cheat or underperform should be denied future contracts

International action is vital to prevent multinationals moving their profits across borders simply to avoid tax. The progress made at the recent G8 summit around greater transparency is an important first step. But we also need to take tough action at home – whether it's opening up companies' books to greater public scrutiny, 'naming and shaming', simplifying the tax system to eliminate loopholes, or simply making HMRC much more assertive in challenging multinationals' tax arrangements.

This government has embarked on an ideological privatisation of public services, from probation and defence procurement to GP out-of hours services. Yet as we have seen with G4S and the Olympics; Atos and work capability assessments; or Capita and court translation services; the private provider too often gets a much better deal than the taxpayer or service user. We have also come across shocking examples of individual greed, such as the outrageous £8.7 million dividend the chair of A4E paid herself in one year alone from profits gained entirely from taxpayer-funded contracts. If a future Labour government cannot turn the clock back, we must at least ensure providers are acting in the public interest.

As well as paying their fair share of tax, private companies that secure public contracts should have their books open to public account so we can see whether we

are getting value for money. We need to get much better at scrutinising and monitoring contracts, and those who cheat or underperform should be denied future contracts. If we are to restore confidence in the worth of public spending, we have to demonstrate to people that their money is being well spent by both the public and private sectors.

With less money to go round, we have to ensure private companies take their fair share of responsibility for the common good. Government spends around £28 billion a year on tax credits – effectively subsidising employers who don't pay their workers enough. A living wage would not only be fair but save vast sums to the public purse. We could start with those companies that want to receive public sector contracts.

Public anger at greed and irresponsible behaviour by large companies presents Labour with a powerful opportunity to make the case for a more responsible capitalism. This will not only help us to build a fairer society, but help to restore public confidence in how taxpayers' money is collected and spent. **F**

Margaret Hodge MP is chair of the Public Accounts Committee



DECENT WELFARE WE CAN AFFORD

Despite austerity and economic stagnation, it is not necessary for the left to abandon its commitment to a fairer society and a decent welfare state, argues *Peter Taylor-Gooby*

Two myths dominate debates about welfare. First, fair social provision is desirable but we can no longer afford it, because an ageing population puts extra pressures on pensions and health and social care. Second, poverty >>

>> bears most severely on low-paid and un-employed people and single parents, but it's hard to do much, because most voters think these groups don't deserve decent benefits.

The politics of austerity and the idea that a credible Labour manifesto would have to include a realistic deficit reduction plan strengthen the first argument. The lack of any public outcry against the harshest benefit cuts since 1931 reinforces the second. Both arguments are misleading.

Most people accept the fairness of 'something for something': there is a strong belief that making a real contribution earns a right

The first point is typically exaggerated. Both Office for Budgetary Responsibility and EU spending projections suggest that the UK will need to devote about four per cent of GDP more to welfare state spending by 2062, simply in order to sustain services at current levels. But that is over a 50-year time period, and the increase represents a rather slower rate of growth in welfare state spending than we have maintained under a variety of governments during the 40 years since the 1970s oil crisis first challenged state expenditure plans. The UK has succeeded in controlling the rate of spending growth on the NHS, care, education and other big-spending areas by stringent efficiency measures and the use of internal markets. Projected extra spending demands in the near future are very low: in fact the EU model shows no demographic increase in demand at all in the period up to 2020. We don't have to accept wholesale reform of the NHS to cope with demographic change. It is possible to sustain the main welfare state services without financial disaster.

Poverty involves much less money (perhaps 2 per cent of GDP to hit the target of abolishing child poverty) but is a bigger challenge because electoral support for more spending on benefits is so weak. Here new policy directions are needed. The evidence across a range of social sciences from anthropology to social psychology is that reciprocity is a powerful social glue. Most people accept the fairness of 'something for something': there is a strong belief that making a real contribution earns a right. The contribution element in the benefit system could be reinstated and substantially strengthened by more generous recognition of the contribution made during time out of paid work in child or

elder care or in study and training. At the same time, the link between contribution and entitlement could be stretched through shorter minimum contribution periods and better minimum levels to make benefits more effective.

Contributory welfare can only be part of the story. One of the big changes that lies behind the intensity of concern about benefits is the growing inequality of market incomes. In a more open international market the highly skilled can bid up wages. Those at the bottom, whose jobs are increasingly threatened by technological change, now face extra pressures from competition in lower-income countries.

The UK has a more open, less regulated economy than any other European country of comparable size. It is not surprising that it has seen the most rapid 'fanning out' in incomes, so that inequalities have grown more rapidly than elsewhere in Europe during the past quarter-century and are now close to those in the US. Any left of centre programme has to argue loudly that wages at the bottom are now simply too low and find ways to address this.

One component would be a phased increase in minimum wage towards living wage levels. This would have to be brought in over time, moving more slowly in sectors, such as catering and tourism, where the viability of businesses depends crucially on wage-levels. The success of minimum wages in raising living standards without destroying jobs demonstrates that such a strategy would be feasible.

Another would be measures to contain living costs, most importantly a major childcare/day-nursery scheme to help more women into paid work. Greater involvement of workers in remuneration committees and works councils would also help improve living standards at the bottom. Reforms could also include taxation and a longer-term programme to promote fairer education and training opportunities.

The welfare state is undoubtedly under pressure. Economic stagnation and the austerity programme don't help. But it is not necessary for the left to abandon its commitment to a fairer society and a decent welfare state, if we abandon the myths that this is unaffordable and electorally impossible. **F**

Peter Taylor-Gooby is a professor of social policy at the University of Kent. These arguments are developed at greater length in The Double Crisis of the Welfare State and What We Can Do about It www.palgrave.com/Products/title.aspx?pid=668106 or e-book suppliers



POSTCARDS FROM THE EDGE?

The very notion of suburbia as peaceable enclaves removed from urban squalor is buckling under the pressure of economic hard times, writes *Rupa Huq*

It was 80s indie band Half Man Half Biscuit who sang 'The Trumpton Riots', describing the incongruous situation of marauding mobs ravaging a sleepy stop-animation town. Riots in the outer-London locations of Ealing and Croydon in 2011 and then in Swedish suburbs earlier this year have upset long-standing comfortable assumptions about suburbia, state and society.

The English suburbs, located at the edges of the city rather than its core, have long been treated with condescension for being dreary and naff rather than hotbeds of dissent. The model in continental Europe reverses this somewhat – people are pushed out to the peripheral French banlieues as films like *La Haine* attest – but the occurrence of Swedish riots is a jolt to received wisdom, with Sweden long seen by the UK left as a social democratic idyll to aspire to. Recent events then call into question the automatic presumption of greater equality guaranteeing a whole range of broadly positive social outcomes. Indeed the very notion of suburbia as peaceable enclaves removed from urban squalor can be seen to be buckling under the pressure of squeezed living standards, increased inequality and the strained economic circumstances of 'hard times' stretching out suburbanwards to make them more akin to a pressure cooker than paradise.

Stereotypically suburbs are full of identikit 1930s semi-detached houses. However British suburbia spans numerous types, from council cottage estates to opulent privately built suburban Victoriana, all conceived in the spirit of optimism: a step-up for aspiring-folk away from the squalor of the city. Many of the old certainties associated with the commonly presumed-to-be-stable entity known as suburbia are in flux. As a result of what is nothing short of a housing crisis in our cities, the phenomenon of temporary, unsafe and unregulated 'beds in sheds' run by unscrupulous private landlords has emerged.

Part of suburbia's allure was cleaner air, lower local taxation and a better class of inhabitant. An unwritten rule was that this meant a lack of BME residents, termed 'white flight'. Yet a substantial movement of ethnic minority suburbanisation is evidence that this postwar paradigm of suburbanisation no longer holds.

Suburbanising Asians appear to be undertaking similar shifts as British Jewry previously, for example Bangladeshis moving from Brick Lane to Ilford, while Black-Caribbeans have journeyed from Brixton to Croydon. Gentrification – in some ways the opposite of suburbanisation – has seen city working populations (often the children of suburbia) choose to live in once crumbling inner-city period property, reconverted from shabby multi-occupancy to desirable single dwellings, like in Notting Hill, further contributing to a downwardly mobile predicament the suburb now finds itself in.

Newer migrant groups do not even flee for the suburbs from elsewhere but make it as their first destination, such as the Poles in Slough. Tensions can result when appropriate infrastructure is unplanned for, like with a perceived deficit of school places and housing. In coining the phrase 'British jobs for British workers', Gordon Brown not only made a promise that is illegal under EU competition law but strayed into dangerous territory: Labour never looks convincing when it is apeing rightwing rhetoric.

Anger at austerity has taken various forms of suburban opposition: there have been vigorous campaigns by the usually politically inactive who used to content themselves with putting an X in a box every five years but now march against hospital and library closures. The economic crisis has bequeathed us hollowed out high streets in the post-industrial suburb; there could be an argument for redeploying some of these empty units into residential use.

The 2011 census also highlights the rise of single-person households. Families of single-parent, same-sex parent, extended and reconstituted varieties have supplemented the traditional 2.4 children plus married parents model. Post-gentrification we are witnessing a blurring – or even reversal – of the characteristics that apply respectively to the terms 'inner city' (risk and danger, diversity) and 'suburb' (safety to the point of monotony and dullness). Political parties need to adapt to these shifting contours of suburbia.

Without any major governmental intervention or policy initiatives, without anyone noticing really, suburbs have become microcosm for the multiplicity of social processes at large in 21st century Britain. Continual

shifts in their character demand a new policy agenda taking account of the changing nature of inequality. The suburbs are not quite middle England. They're not the hangout of the metropolitan elite. And they're frequently not urban enough for urban regeneration. They are suffering from palpable neglect, yet it's estimated that 80 per cent of us live there and so it's where the next election will be won or lost.

Back in the pre-coalition era, Nick Clegg was predicting Greek-style social unrest if the Tories were to come to power. Let's hope for everyone's sake that all political parties get to grips with suburban concerns. Certainly the sound of the suburbs doesn't have to be 'I Predict a Riot'. **F**

Rupa Huq is author of the books On the Edge and Making Sense of Suburbia and senior lecturer in sociology at Kingston University



LABOUR'S WAY

Familiar ideas about full employment and contribution are key to tackling today's inequality, writes *Stephen Timms*

In opposition, David Cameron re-positioned his party with a new brand of 'compassionate Conservatism' that could heal 'broken Britain'. Three years into government, the record contrasts sharply with those promises.

Recently, we learned that absolute child poverty has risen sharply. The downward trend in relative child poverty inherited from Labour has halted. In-work poverty is rising. In 2011–12, 66 per cent of poor children lived in working families, up from 60 per cent in the previous year. Long-term unemployment is rising inexorably. If you are looking for a more equal society, give the coalition a wide berth.

To begin with, ministers told us the introduction of universal credit would solve all these problems. Labour supported the principle, but the project now looks in desperate trouble. Inept ministers have consistently underestimated the difficulty of implementation. They have delayed

crucial policy decisions. In November 2011, Iain Duncan Smith boasted a million people would be receiving universal credit by April 2014. Now the Department for Work and Pensions won't say how many will be getting it by then. The current number appears to be about 100.

The country needs leadership and fresh vision. That is what Ed Miliband offered in his 'one nation' speech at the Labour party conference in Manchester last year. He and Ed Balls have developed the theme in the context of social security in speeches in June. The challenges are huge – the fiscal environment is tough, and public confidence in the welfare system is low. Resolving them will be at the heart of our election case.

The view that the state should be tackling child poverty remains widespread

Ed Balls pointed out that Labour must prepare for a "very difficult inheritance ... an economy with families under real financial pressure, businesses that have lost vital opportunities to invest, and public finances in poor shape, despite deep cuts to vital public services". Government promises to cut welfare bills have not been delivered, partly because of their failure on unemployment. Social security spending has been revised up by £20 billion since the 2010 spending review. In 2010, the Office for Budget Responsibility forecast a deficit of £18bn in 2015–16. It is now anticipated to be £96bn – £78bn more, even with further cuts in public spending scheduled for 2015–16.

The scale of that challenge does not mean, however, that we abandon our Labour values. We need to be focussed on crafting the right policies, and making the right interventions to turn the situation around. We will be committed to raising living standards and growth and ensuring that the deficit and public expenditure are reduced in an equitable manner.

And we have to recognise the crisis of confidence in the social security system. Too many people think the system costs too much, and – all too often – doesn't help them when they need it. Public attitude research by the Joseph Rowntree Foundation highlights a long-term hardening of attitudes. In 2011, 54 per cent believed that, if welfare benefits were not so generous, people would learn to stand on their own feet, compared with only 33 per cent in 1987. However, the view that the state should be tackling child poverty remains widespread. The same report found that 82 per cent viewed cutting child poverty >>

>> as 'very important', with almost three-quarters (74 per cent) saying this is a task for government.

Labour will reform social security so that it once again works for working people, addressing the root causes of the rising benefit bill and renewing the contributory principle. Our policy review will explore how the system can be reformed within tight cost constraints. For example, can we ask people to work longer to qualify for extra support?

We are committed to a concerted effort to tackle long-term unemployment. We will introduce job guarantees to ensure a paid job for every young person out of work for a year, and for those over 25 unemployed for over two years, with jobseeker's allowance ceasing for six months after the offers have been made.

We will also ensure the cap on household benefits works for the whole country. Housing costs are different in London to other parts of the country, so we would ask an independent body – like the Low Pay Commission – to help set the cap so that, wherever you live, you get a clear signal that you're better off in work. We will also reform housing benefit to tackle high rents and the shortage of affordable housing.

Labour's historic task is to address inequality. Familiar ideas about full employment and contribution are key to Labour's contemporary 'one nation' plans, the best way to tackle today's inequality. ■

Stephen Timms MP is shadow employment minister



FOR TOMORROW

In the wake of the Great Recession, Ed Miliband has the opportunity to unite what might, on the face of it, seem highly disparate groups of voters, writes *Marcus Roberts*

To win in 2015, Ed Miliband must unite working-class voters with middle-class voters. Ex-Lib Dems with ex-Tories. Labour loyalists with those who abandoned Labour. First time voters with those who long ago gave up on politics.

In theory, a 'one nation' Labour party should be well placed to do this. But what

do those words mean in practice? What are the values and policies, statistics and demographics, politics and geographies that can truly unite a country?

To win a working majority, Labour needs to aim for no less than 40 per cent of the electorate. The numbers tell us this is possible: Labour can win by holding onto 6–7 points of the former Lib Dems who have flocked to the party since 2010, 4–5 points of new voters and by converting 1 point off of Cameron's 2010 Conservatives.

Now, taken crudely, an electoral coalition that attempts to combine Labour's liberal-left base of existing voters, Lib Dem converts and young voters, with small 'c' conservatives in the form of working-class voters and ex-Conservative converts might seem contradictory at best. But in the wake of the Great Recession, the commonality of the problems facing this huge pool of voters and the commonality of the solutions needed provides Ed Miliband with the opportunity to unite what might, on the face of it, seem highly disparate groups.

One nation Labour is the manifestation of that attempt. With its policy emphasis on the causes of long-term problems in the economy and society alike, one nation Labour turns the page on New Labour's technocratic style of governing whilst simultaneously exposing the Conservatives as mere managers of decline. Instead it seizes the political ground of both change and hope, occupying the valuable political real estate of optimism, the future and unity. Set against this is a Conservative party increasingly seen as pessimistic and divisive.

For the roots of Labour's new electoral coalition lie in the living standards crisis: after the crash of 2008, middle class voters find themselves facing the same sorts of insecurities as working class voters. The issues of housing; spiraling utility bills and transport costs; unemployment and job insecurity; anxiety over the cost of higher education; and declining wages and longer hours, means that demographic groups which once had widely divergent fears and hopes are now attracted.

In answer to this, Labour's political offer focuses on work, family and place – specific and tangible changes to the problems people face and the hopes they have for a better future. Work: with policies like the living wage, ending zero-hours contracts, worker representation on company boards (especially on matters of pay). Family: with a commitment to universal childcare, a commitment to gay marriage, and the integration of social care with the NHS. Place: with an emphasis on community politics, greater trust in localism and ambitious house building plans. What's more, policies like

breaking up the big six energy companies or renationalising railways to ensure that £300m of traveler profits are instead used to cut fares cut across all of these areas – will reduce the pressure on family and work alike, as bills fall while allowing families to enjoy the place they live in with affordable homes within strong communities.

This offer is grounded in an understanding that Labour's future lies not in the promise of a government that can solve problems for citizens with ease overnight but rather that the big problems Britain faces can only be solved by the combined efforts of government, community and private sector alike.

A 40 per cent strategy is designed to create an electoral coalition for Ed Miliband that is politically, for the most part, more 'leftish' than that of New Labour. But it is also one that appeals to small 'c' conservative voters and non-voters as badly hurt by the fallout of the Great Recession as their liberal progressive counterparts.

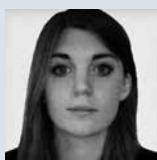
This coalition of voters is in keeping with the widely held assumptions about what the politics and values of Ed Miliband actually are. As such a coalition of Labour loyalists, disaffected Liberal Democrats, new voters and a vital addition of ex-Conservatives is an electorally efficacious and politically authentic strategy.

Central to the delivery of this electoral coalition is organisation. Here an understanding of Labour's change from party to movement is essential. The party reform agenda of Ed Miliband and general secretary Iain McNicol, carried out by community organiser Arnie Graf across countless CLPs in co-operation with thousands of activists, is proof of Labour's change. Ed Miliband's recent embrace of opt-in for trade union membership is a key proof of this as he seeks to build a Labour party not of 193,000 on-paper members but of more than half a million actual activists.

Simply put, Labour is seeking to re-connect with voters by demonstrating change on the ground through a host of community campaigns that prove that while Labour is out of office, it is not out of power.

This is an agenda that could bring Labour into government. The challenge for Labour when it gets there will be to carry forward this change of approach – from doing politics for people to doing politics with people, through the creation and implementation of actual policy that makes citizens as much responsible for changing their lives as government itself. ■

Marcus Roberts is deputy general secretary of the Fabian Society



FOR EVERYONE AND FOR OURSELVES

Participation and responsibility must sit alongside contribution as the key words in our welfare debate, writes *Sofie Jenkinson*

To participate in the world around you and to feel like you're really a part of that world is something almost everyone strives for, somehow. We all do it differently and some of us find it easier than others, but it's an important part of who we are. It brings with it so much, and so much that's so subtle. The community, the cooperation, the grit, the determination, the satisfaction, the achievement.

We have a welfare system that is undergoing massive reform – the path to universal credit has not, and will not, run smooth. But there remains an opportunity to talk about how we can further reform our system for the better, for all of us. And it has dominated the headlines and the keynote speeches for one simple reason: a decline in public support for the welfare state.

Many of the answers and solutions presented to us by politicians and policymakers focus around money. But to concentrate on this element of our national safety net, although practical, glosses over so much. The connections between us – the reasons we have to and want to work with, support and share with each other – are not defined by money. And the reason that people get angry about a welfare system they feel is broken is not really about money either, but about fairness.

In all the recent debate about social security there has been one standout word: contribution. It's a word that brings out an innate response in most people and chimes with people's instincts of what's right. It's an important word and a welcome element to bring back into the conversation about welfare reform. But with it must come two others: participation and responsibility.

The majority of people in our society want to contribute and want to participate.

And in a world where you can't means test privilege and opportunity, it is important to look at lack of contribution not as a way of identifying those who are too 'idle' to participate, but to identify the true barriers to that participation. Where there are obstacles – whether through circumstance, complex needs or inequality – the effects can be damaging and long lasting.

Ed Miliband recently said: "The idea that people should get something back for all they've put in is a value deeply felt by the British people." This is a core idea that brings together what Miliband feels are the values of the British people and a way of building public support for a welfare system that can really start to tackle poverty. Contribution then, as imagined in the two-tier benefit system Miliband touched on, finds its ideal in the majority being able to pay-in to help fund a better system and receive a higher rate than those who have not. But until a time where we can make this a reality for all, how can we bring reciprocity back into our system in a fair way?

The majority of people in our society want to contribute and want to participate

To contribute, you must be able to participate. In fact, in crude terms one is a measure of the other. And to recognise when and why people cannot participate is our responsibility – our shared responsibility to one and other. As is our provision of childcare and care of the vulnerable.

It's easy to forget the help you had, and not to see the barriers in front of other people. There are pockets of citizens across our country who are more excluded from our society than others. ONS data from 2012 found unemployment among young black men doubled in three years, rising from 28.8 per cent in 2008 to 55.9 per cent in the last three months of 2011. Research by Paul Gregg and Lindsey MacMillan found that youth unemployment is not only high but has lasting effects on life chances, with a year of youth unemployment reducing an individual's earnings 10 years later by about six per cent and leading to an extra month of unemployment every year up to their mid-30s.

So, what sort of contribution we're talking about? As outlined comprehensively by Tim Horton and James Gregory in *The Solidarity Society*, it is an important part of social cohesion to acknowledge different forms of

participation and contribution by looking at the types of activity recognised as valuable contribution (such as caring, parenting, volunteering), the barriers to the system (for example inequality, insecure labour market, self-employment) and when you make your contribution (past, present or future).

For the hundreds of thousands of young unemployed people across the country who will, no doubt, go on to contribute much to society, as their pensionable ages disappears into the distance, the support they are claiming may well be the key factor in getting on the road to contribution and may well be the only time they need such support. So as the young sit with bank accounts in deep shades of red, we must ensure that any new job guarantee does them justice – that looks at their skills and ambitions and matches them to jobs right for them, rather than moving them as a stat from one column to another with no regard for who they are or who they want to be. This is not a nuisance, but a necessity.

So one solution could be to make time spent volunteering in communities part of conditionality, rather than to have sanctions purely as punishment. By building participation into the system designed to support you, contribution would become accessible currency for all and would build a link between those in need of support and the wider community. And by making it part of life-long welfare contract with each citizen, of the type outlined in *The Solidarity Society*, it would provide support and insurance against the risks we face now, from cradle to grave, as built by and for us all.

There are carrots and there are sticks when it comes to this issue and we have to find humanity in welfare again. We all want to live in a world where the support is there for us, and everyone, when we need it. But if we want to reward those who participate and contribute then we need to make absolutely sure that everyone can. Conditionality must be fair and appropriate, and above all tailored, suitable and helpful to those seeking support. The role for a new welfare state must be to support those in and out of work to be able to fully participate in society. Because as with democracy, whose sum is more than a cross in a ballot box, participation is not clocking in and out every day – it's out in communities and with people, it's for everyone and for ourselves. **F**

Sofie Jenkinson is editorial assistant at the Fabian Society



© Kenn Goodall / bykenn.com

The inequality boom

Howard Reed discovers that the coalition's tax and benefit changes are on track to be as bad for inequality as the Thatcher government. Turning the tide needs to be at the heart of Labour's strategy for government



Howard Reed is director of Landman Economics

CONCERN ABOUT THE extreme inequalities of incomes produced by capitalist societies has traditionally been a central component of left-of-centre politics, and the progressive taxation systems and redistributive welfare state put in place by the 1945 Attlee government was at least partly motivated by a desire to reduce inequalities. But how unequal is Britain now, 35 years after the Thatcher government and the end of the post-war consensus? What are the consequences of the current policies of the coalition government for inequality? And how much impact on inequality might a Labour government expect to make if elected in 2015?

Inequality from 1961 to 2012

Inequality in the distribution of incomes is the result of a combination of two factors. One is the distribution of gross market incomes, ie income before taxes or transfer payments. The largest component of gross incomes is earnings, but the distribution of incomes from investments and (private) pensions, and property income, are also important. The other main factor determining the distribution of net income is the extent of redistribution by the government through the form of taxes and transfer payments (eg benefits, tax credits). Inequality can rise thanks to increasing dispersion of gross incomes, a reduction in the extent of redistribution, or both. Thanks to household surveys conducted on an annual basis from 1961 to the present day, we now have around half a century of data on the UK income distribution on a reasonably consistent basis. Figure 1 is based on analysis of this data by the Institute for Fiscal Studies (IFS) and shows the evolution of inequality in disposable income since 1961. [See Box 1 on page 11 for more information on the measures used.] The figures go up to the 2011–12 tax year which are the most recent figures currently available.¹

Broadly speaking, the evolution of inequality in Britain over the past 60 years comprises three distinct phases:

- Between 1961 and the late 1970s, inequality was roughly stable, with a Gini coefficient in the range 0.24 to 0.27.
- Inequality rose consistently from 1979 onwards, with the Gini moving above 0.27 in 1985. By 1990, the Gini had reached 0.34 – a rise of 0.07 in just five years. The 1980s were a period of persistent rises in inequality.
- From 1990 onwards, inequality stabilised at a Gini of around 0.33 to 0.36 and has remained at that level until the present day.

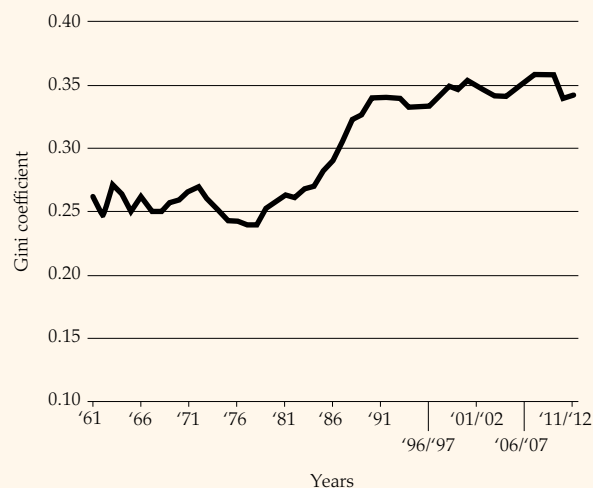
In terms of the relationship between inequality and UK politics, it looks like the period of Margaret Thatcher's premiership (1979–90) was very different from Labour or Conservative governments before or after it. Mrs Thatcher's tenure in Downing Street coincided with a massive increase in inequality of household incomes in the UK. What caused this rise in inequality? Research by Stuart Adam and James Browne of the IFS² shows that between 1978 and 2008, reforms to the tax and benefit system increased the Gini by around 0.034 compared with a situation in which the 1978–9 tax system had been kept in place and uprated according to the uprating rules in place at that time. This increase in inequality appears to result mainly from two reforms undertaken by the Thatcher government:

firstly, the reduction in income tax rates, with the top rate of income tax falling from 83 per cent in 1979 to 40 per cent in 1988; and secondly the decision to uprate means-tested benefits in line with price inflation rather than earnings, which (given that this was a period where average earnings were growing by about 2 per cent above inflation every year) meant that incomes for poorer families who were dependent on benefits for a large proportion, or all, of their net income lagged behind working families.

Thus, changes to taxes and benefits under the Thatcher government account for around half the overall increase in inequality seen between 1978 and 2008. The rest of the increase in inequality can largely be explained by two factors: firstly, increasing dispersion of earnings, with growth in earnings for top earners far outpacing average or low earners; and secondly a shift in the distribution of national income from wages to profits (income from profits is far more unequally distributed than income from wages).³

The record of the Labour governments between 1997 and 2010 on inequality is also worth commenting on here. New Labour was much more concerned with reducing poverty, and child and pensioner poverty in particular, than with reducing inequality per se. However, there is an obvious link between poverty and inequality in that redistribution via the tax and benefit system from richer households to poorer households – aiming to reduce poverty by increasing the net incomes of the poorest families – will tend to reduce overall inequality in net incomes as a by-product. Overall, the IFS research by Adam and Browne shows that New Labour made the tax-benefit system more redistributive (as a result of increased benefit payments for poorer pensioners and tax credits for low-income families with children). However, inequality in gross incomes continued to increase over this period. Overall, the two effects more or less cancelled each other out, meaning that inequality in 2010 was almost unchanged from its 1997 level.

Figure 1. Inequality of household incomes before housing costs, 1961 to 2011/12



Source: Institute for Fiscal Studies, www.ifs.org.uk/bms/bn19figs.xlsx

The impact of coalition government policies on inequality

Figure 2 presents a breakdown of the distributional effects of most of the reforms made to the tax, benefit and tax credit system over the course of the current parliament using a tax-benefit micro-simulation model constructed by Landman Economics for the Institute for Public Policy Research. The analysis divides families in the UK income distribution into ten equally sized deciles ranging from decile 1 (the poorest) to decile 10 (the richest). The line in the graph shows the overall impact of reforms to the tax, benefit and tax credit systems as a percentage of disposable income, averaged across all families in each decile. Overall, the reforms introduced by the coalition are regressive across most of the distribution – the poorest families lose over 12 per cent of their net income on average, compared with only around 3 per cent of net income for families in the ninth decile. At the very top, the reforms are slightly progressive, with the top decile losing a slightly higher percentage of their income than the ninth decile; this is mainly due to increases in national insurance contributions and below-inflation increases in the higher rate income tax threshold.

The main factor driving the regressiveness of tax and benefit reforms between 2010 and 2015 is cuts to benefits and tax credits, particularly for working age families with children. The generosity of working tax credit, in particular, was cut back severely over this period. Furthermore, the uprating regime for working age benefits and tax credits has been changed from the retail price index (RPI) to the consumer prices index (CPI), and as annual CPI increases are typically smaller than RPI, this means that households reliant on benefits and tax credits lose out increasingly as time goes on. The

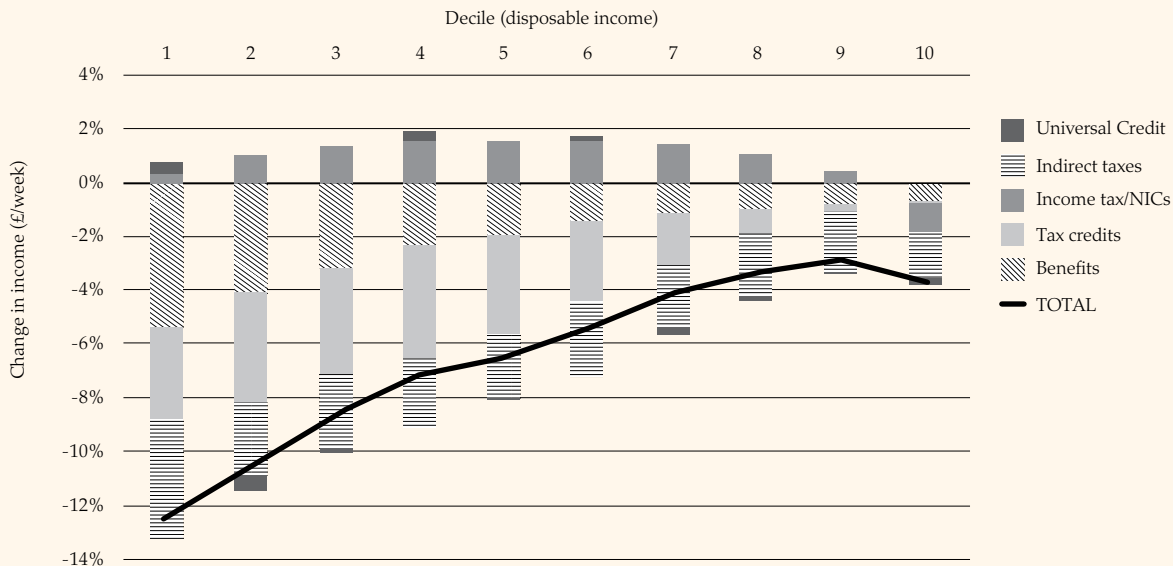
decision in the 2012 autumn statement to limit working age benefit and tax credit increases to 1 per cent in nominal terms – well below CPI inflation – exacerbates the regressiveness of the reforms to social security. Meanwhile, coalition reforms to income tax and national insurance contributions during this time – principally the above-inflation increases in the income tax personal allowance and the lower thresholds for national insurance contributions – help families in the middle of the income distribution more than the poorest families, most of whom were not earning enough to pay income tax or national insurance in the first place.

The impact of the total package of tax and benefit reforms between

2010 and 2015 is to increase the Gini by 0.018 points – more than half as much again as the total increase in the Gini which arose from tax and benefit reforms over the period 1978 to 2008. There are additional reforms that it is not possible to model due to insufficient data on benefit claimants in the UK Family Resources Survey (such as many of the changes to housing benefit, and the replacement of disability living allowance by the personal independence payment). However, if they were added in to Figure 2, it is quite possible that the impact of the coalition’s tax and benefit measures would be as bad for inequality as the Thatcher government’s record, despite the fact that by 2015, David Cameron will have been prime minister for less than half the duration that Margaret Thatcher was. Looked at in this way, the coalition government’s tax and benefit reforms are like a speeded-up action replay of Thatcherism. This may come as a particular shock to Liberal Democrats in the government, many of whom spent the 1980s railing against the kind of increase in inequality which I forecast to occur as a direct result of policies introduced in this parliament.

The coalition government’s tax and benefit reforms are like a speeded-up action replay of Thatcherism

Figure 2. Impact of coalition tax and social security reforms introduced in 2010–15 parliament, by income decile



Source: author’s own calculations using IPPR/Landman Economics tax-benefit model and Family Resources Survey data for 2010–11

The actual increase in inequality, as measured by the Gini coefficient, over the period 2010 to 2015 is likely to be more than 0.018 because of the continuation of the trends which contributed to increased inequality in gross earnings between 1980 and 2010. While earnings at the top of the distribution are continuing to increase, real wages for low-to-middle earners have been falling behind inflation for at least the last five years. And the most recent available data shows the share of wages in national income continuing to fall, to 53.7 per cent of GDP in 2011 (down from 59.2 per cent in 1980).

Reducing inequality in the future

How should a future Labour government respond to these trends? Discussion of the role tax and benefit measures to reduce inequality – or even to reduce poverty – after 2015 (should Labour emerge victorious at the next election) has not figured highly in policy discussions over the last three years. To a large extent, Labour seems to have bought into the argument of the right-wing media – trumpeted loudly by coalition politicians – that redistribution through the welfare state became increasingly unaffordable under New Labour. This is despite the fact that in 2007–08 – the last year before the Great Recession – total spending on benefits and tax credits as a share of gross domestic product was 11.4 per cent, compared with 11.9 per cent in 1996–97, just before Labour came to office.⁴

But with the Labour leadership seemingly insistent that the poor state of the public finances rules out further action to reduce inequality through the tax and benefit system, attention has shifted to what the political scientist Jacob Hacker has called ‘predistribution’ – measures to make the distribution of gross market incomes more equal, thus reducing the pressure on the tax and social security systems to do the ‘heavy lifting’ of reducing inequality. This would be a big change in policy away from the New Labour years, where the market was more or less left to ‘let rip’ in delivering increasing inequalities in gross earnings and investment incomes, with the tax and social security systems having to do more and more redistribution to hold after-tax inequality constant.

There are several policy options for more equal predistribution of earnings, mostly focusing around changes in wage determination, bargaining structures and trade union representation, particularly in private sector industries and services, as well as upgrading skills and improving employment and job progression opportunities for the lowest paid.⁵

But while measures to equalise the distribution of gross earnings would be most welcome, they would work best in conjunction with a more redistributive tax and benefit system, rather than one being a substitute for the other. Many features of the current tax and benefit system are needlessly regressive; for example, council tax, which on average charges low-to-middle income households a much higher percentage of their disposable income than the richest households. There is plenty of scope for major reforms of the UK’s tax and social security systems to increase their progressiveness and reduce net income inequality, at the same time as simplifying the system and raising more money to help balance the public finances.⁶

At the same time, a lot of the inequality in incomes from investments is a function of vast inequalities of wealth and assets and therefore it would be necessary to redistribute

wealth – perhaps via radical measures such as land value taxation – to equalise the distribution of investment income significantly.⁷

Whichever set of policies Labour chooses in 2015, it will be important for inequality reduction to be at the heart of the party’s strategy for government. As Richard Wilkinson and Kate Pickett show in their book *The Spirit Level*, there are clear links between lower inequality and a range of better social outcomes (eg lower crime, increased levels of trust in society, and greater social mobility). For Labour to enter government with a mindset that inequality doesn’t matter would be a serious mistake. Instead, it is to be hoped that despite the difficult economic circumstances which the next Labour government is likely to inherit, they can nonetheless place a clear focus on getting UK income inequality down to the levels which prevailed before the Thatcher revolution of the 1980s. **F**

Box 1

The measure of disposable income used is net household income before housing costs, adjusted for family size. The measure of inequality used is the Gini coefficient, which is a number between 0 and 1 showing the extent of inequality in a distribution of incomes. A Gini of 0 would correspond to a situation where every household had the same net income, whereas a Gini of 1 would correspond to a situation where one household had all the income and the rest had nothing. Hence, the higher the Gini is, the greater is inequality in incomes. The figures are for Great Britain (including England, Scotland and Wales but excluding Northern Ireland) because the Family Expenditure Survey, which was the survey used to measure incomes until 1992, did not cover Northern Ireland but data for the whole UK from 1993 onwards using the Family Resources Survey (which does cover Northern Ireland) show a very similar picture.

Notes

1. Prior to 1993 the annual surveys used to obtain data on the income distribution were conducted in calendar years; from 1993–94 onwards they changed to fiscal years.
2. Stuart Adam and James Browne, *Redistribution, Work Incentives and Thirty Years of Tax and Benefit Reform*, IFS Working Paper 10/24. [http://socialwelfare.bl.uk/subject-areas/services-activity/poverty-benefits/institute-for-social-studies/132531wp1024\[2\].pdf](http://socialwelfare.bl.uk/subject-areas/services-activity/poverty-benefits/institute-for-social-studies/132531wp1024[2].pdf)
3. Both these trends, and the reasons behind them, are examined in more detail in Jacob Mohun Himmelweit and Howard Reed, *Where Have All The Wages Gone? Lost Pay and Profits Outside Financial Services*, TUC, 2012. www.tuc.org.uk/tucfiles/466.pdf
4. Source: IFS analysis of benefit and tax credit spending as a proportion of GDP. www.ifs.org.uk/ff/ben_spend.xls
5. For more discussion of how to reduce gross earnings inequality see Stewart Lansley and Howard Reed, *How To Boost The Wage Share*, TUC, 2013.
6. The bare bones of such a reform package are Richard Murphy and Howard Reed, *Financing the Welfare State: Towards a Full Employment Economy*, Centre for Labour and Social Studies, 2013. [http://socialwelfare.bl.uk/subject-areas/services-activity/employment/centreforlabourandsocial-studies/1464492013_Policy_Paper_-_Richard_Murphy__Howard_Reed__\(Social_State_-_Idleness\).pdf](http://socialwelfare.bl.uk/subject-areas/services-activity/employment/centreforlabourandsocial-studies/1464492013_Policy_Paper_-_Richard_Murphy__Howard_Reed__(Social_State_-_Idleness).pdf)
7. Several options for introducing a wealth tax in the UK are looked at in Kayte Lawton and Howard Reed, *Property and Wealth Taxes in the UK: The Context for Reform*. Institute for Public Policy Research, 2013. www.ippr.org/publication/55/10503/property-and-wealth-taxes-in-the-uk-the-context-for-reform

Reality or rhetoric?

On the eve of the 2010 general election, with all parties straining to trumpet their 'progressive' credentials, the *Fabian Review* asked a panel of non-partisan experts to set a series of future benchmarks, which could be applied to whoever formed the next government. Three years on, three of our panel assess whether the coalition are on track to realising their progressive ambitions



Is society stronger?

Richard Wilkinson and Kate Pickett

The Test (spring 2010): Compared to many other developed countries, Britain has a high level of income inequality, with the richest 20 per cent having incomes at least 7 times higher than the poorest 20 per cent, leading to our comparatively poor performance on levels of mental health, teenage births, imprisonment, drug abuse, social mobility and more. By the end of the next parliament, the reduction of inequality should be established as a national target and the ratio of the incomes of the top 20 per cent reduced to no more than 5 ½ times the incomes of the bottom 20 per cent. This would bring our inequality down to levels currently enjoyed by Canada, France, Switzerland and Spain.

Sadly, far from being stronger, our society is more fractured and feels less cohesive than when the coalition government came to power. The pre-election rhetoric suggesting that both Conservatives and Liberal Democrats were committed to creating a fairer and more equal society has been forgotten and replaced by a divisive discourse that pits neighbour against neighbour and labels some of the most vulnerable in this society as incompetent, shirkers and fraudsters. Attitudes towards the poor, measured each year by the British Social Attitudes Survey, are hardening – a predictable consequence of the long-term damage to the social fabric caused by rising inequality over the past thirty years.

Instead of accepting these trends in public attitudes towards the poor and the vulnerable as signals of social dysfunction and fragmentation, this government has

repeatedly misused and misrepresented the evidence and been rebuked by the Office for National Statistics. As *The Economist* pointed out in April "questionable numbers flow out of Iain Duncan Smith's office like raw sewage into the public debate".

So here are the facts – in the wake of the global financial crisis and the UK's recession, and for the first time since they began their annual reports ten years ago, the Institute for Fiscal Studies (IFS) recently reported a dramatic reversal from long-term trends of rising incomes, declining poverty and growing inequality. Inequality fell because we all got poorer but the rich lost the most – at least on paper. In their latest report, for 2011–12, the IFS show incomes falling over two years and inequality falling to levels not seen in England since the middle of the 1990s. However, this is insufficient to reverse long-term rises in inequality. The falling incomes of the richest are temporary, an effect of people realising income a year early in 2009–10 to avoid paying the 50 per cent tax rate, and thus depressing top incomes in 2010–11, rather than any curb on the wealth capture and bonus culture of the rich. The poverty line has also fallen in line with declining incomes, meaning that relative poverty holds steady, but the poor now have less than they had before. With top incomes rising again while others fail to keep up with inflation, inequality is likely to be rising again, as the IFS now forecast.

On the test we set: a reduction in UK income inequality, to bring us in line with countries like Canada, France and Switzerland, to strengthen our social cohesion, the government's record is dismal.

But governments also act on the international stage and here the picture is more mixed. We must give credit where credit is due – we want to give the government an encouraging B+ for their attempts to deal with tax evasion worldwide. This is important because a small group of rich people and rich corporations has a massive negative impact on public funding, and increases worldwide inequality at the expense of all those who comply with both the letter and spirit of the law. Unpaid tax on the US \$32 trillion held offshore by individuals could generate

an extra US \$190–280 billion every year to the world's public coffers. And more than half the world's trade passes through tax havens, which at any time hold a staggering third of the world's GDP on their balance sheets – imagine the development and progress which could be supported if such sums were properly allocated. Why on earth didn't the previous Labour government tackle this?

But we also give the government, and David Cameron in particular, a Fail for refusing to back the inclusion of inequality measures and targets in the United Nation's post-2015 development goals. He is intransigent in the face of pressure from a number of academics, economists

and development experts, and evidence showing that you can't end poverty without reducing inequality.

In 2009, Cameron said "We all know, in our hearts, that as long as there is deep poverty living systematically side by side with great riches, we all remain the poorer for it." It's time for this government to match policy and current rhetoric to past promises, both at home and abroad, or we will indeed all be the poorer. **F**

Richard Wilkinson is professor emeritus at the University of Nottingham. Kate Pickett is professor at the University of York. They co-wrote The Spirit Level, and are directors of The Equality Trust



Are fewer children in poverty?

Puja Darbari

The Test (spring 2010): With 2.3 million children in the UK still likely to be living in poverty at the time of the election, any government remotely serious about meeting the 2020 target of eradication will have to demonstrate significant progress during the next Parliament. So, by 2015, the absolute minimum requirement would be to reduce the proportion of children living in poverty in the UK (26 per cent in 1999) from 18 per cent now to 13 per cent (the missed 2010 target set in the optimistic days of 1999).

Three years ago, when the *Fabian Review* first asked Barnardo's to set a 'progressive benchmark' for 2015, the Child Poverty Act had just given the government a legal duty to eradicate child poverty by 2020.

We set our benchmark in line with the act, as "reducing the proportion of children living in poverty from 18 per cent to 13 per cent" – a real term drop of 2.3 million to 2.18 million children.

At the time it was difficult to predict what approach a future government would take on poverty. We had just witnessed a 30 per cent fall in the number of children living in poverty in one decade – proof that a commitment by the Labour government to 'abolishing child poverty' by 2020, backed by concrete measures, could genuinely help work pay for the poorest families and make a real dent in deprivation. Put in real terms, in 1999 there were 3.4 million children living in poverty. In 2010, there were 2.3 million.

At the same time the recession had already hit, prompting a focus away from the anti-poverty programme – no new government funding had been announced for poverty reduction since 2008.

Despite their gains, when Labour left office in 2010, they missed their child poverty target by 600,000 children.

So, is the coalition on course to meet Barnardo's 2015 benchmark? All indications suggest not.

Under our target, the number of children in relative poverty – in households with 60 per cent of the current median income – should be falling significantly. But the Housing Below Average Income Statistics (HBAI) suggest this figure has flat-lined over the past year.

Shockingly, these statistics reveal that the number of children living in absolute poverty rose, surging by two per cent in one year alone, to leave 3.8 million children on the breadline.

The Institute of Fiscal Studies (IFS) projects that by 2020 a further 1.1 and 1.4 million children in the UK will be living in relative and absolute poverty respectively. Research by Donald Hirsch for the Child Poverty Action Group estimated it will cost the UK £35 billion a year to mitigate the damages wrought to these children's health, employment and life chances by this national tragedy.

The coalition has shown an alarming lack of political will on tackling deprivation, which goes far beyond the constraints placed on its budget by the economic climate.

The introduction of universal credit is supposed to 'make work pay' but will in practice make scant difference for parents who work part-time on minimum wage as they often end up paying more in childcare costs than they earn. This is a huge missed opportunity.

That failure was compounded two months ago, when the government announced that it would make £1 billion available to help families with childcare. However, eighty per cent of the funding is set to go to those earning up to £150,000 a year. Just twenty per cent will go to families who claim universal credit, and these funds will only be available to parents who earn enough to pay income tax – effectively excluding those who work part time for the lowest pay.

The future is not set in stone for children who are on the brink of poverty, but the coalition needs to move fast. Over the summer it will be consulting on its childcare funding proposals. Barnardo's research finds that increasing subsidies for the poorest from 70 to 85 per cent will at least make work pay for low income families.

It's vital that the government implements a strategy with coherent, long-term policies on tackling poverty and improving children's life chances, if it's to have any hope of lifting families out of deprivation by 2020 rather than plunging them into it. **F**

Puja Darbari is director of strategy at Barnardo's

Do you want to grow forever?

Every major global economy is founded on the premise of continual growth, yet the resources, ecosystems and raw materials upon which that assumption is based are finite. *Andrew Simms* says the challenge is to craft dynamic economies that operate within planetary boundaries



Andrew Simms most recent book is Cancel the Apocalypse, he is a fellow of nef (the new economics foundations) & chief analyst on the environment for Global Witness

PENCIL DASHES RISE up the kitchen wall, like a tiny, rickety ladder. You've lovingly recorded your child's growth, her slowly changing height carefully marked and dated in the heart of your home. Growth is life. It's a fundamental measure of fundamental progress: the passage from birth to maturity. Look out of the kitchen window into the garden and there's another kind, that of plants. All life depends on plants. Our default understanding of growth is simple: it is a good thing. As children we learn to be proud if we are above average height. As parents we're proud if our child is taller than their peers. Shorter people are often made to feel like lesser people, in every respect. The absence of growth implies that something must be wrong.

But how much growth is enough? When applied to the economy, the homely wisdom that growth is good lacks something. Absent is any concept of maturity. Yet this idea is central to our very nature. It is, in fact, essential for survival. If plants and animals didn't stop growing after a certain point, it would be disastrous. If a hamster, for example, kept on doubling its weight each week, as it does for its first month and a half of life, by its first birthday you'd be looking at a nine billion tonne hamster.

Yet every major global economy is founded on the premise of continual growth, the possibility of rising consumption stretching infinitely into the future. The resources, ecosystems and raw materials upon which that assumption is based are, however, finite. Questioning economic growth



© stiegbond

remains though, largely, a heresy. Yet there has long been an understanding in the quiet corners of economics, as well as louder protests in other disciplines, that growth cannot and need not continue indefinitely. John Stuart Mill recognised in 1848 that “the increase of wealth is not boundless: that at the end of what they term the progressive state lies the stationary state”. Adam Smith also considered that growth would be a transient economic phase, brought to an end by limiting factors such as soil and climate.

Growth is not “boundless” too, and the reasons have been long known. Even making allowances for the language and time in which Mill wrote, his meaning remains clear: “It is only in the (economically) backward countries of the world that increased production is still an important object: in those most advanced, what is economically needed is a better distribution.” So why is it that over 160 years after Mill wrote those words, rich nations are more obsessed than ever with economic growth? Countries like the UK are decades past the point where increases in national income lead to similar increases in human wellbeing and life expectancy for the population overall.

In a recent paper for the London School of Economics titled, *Hooray for GDP! In defence of GDP growth*, Nicholas Oulton promised to “discuss and reject” the proposition that, “The planet is finite, so further growth of GDP (at least in rich countries) is not feasible.” In the event, he retreated, perhaps wisely, saying only that “I will have to leave it others more expert in this topic to decide whether the UK can meet its carbon emission reduction targets while still enjoying growth in per capita GDP.”

Kevin Anderson and Alice Bows at the Tyndall Centre for Climate Change Research have worked with models that include all sorts of variables, including both pessimistic and optimistic political and technological responses to climate change. They also looked at different levels of risk for whether any particular temperature threshold in a warming world is likely to be crossed. They included the fact that, because poor countries face different economic challenges to rich ones, rich countries are expected, and have agreed, to do more, earlier to lower their emissions. They then ran the numbers and looked at what happened. The conclusions were stark. They summarised that “economic growth in the OECD cannot be reconciled with a two, three or even four degrees characterisation of dangerous climate change.” Even at the bottom of that range, we risk toppling environmental dominoes in such a way that warming becomes self-reinforcing, potentially uncontrollable and catastrophic.

Growth addiction creates enormous economic inertia. To overcome it, we have to be able to imagine living without growth. The challenge is to craft dynamic economies in which we may all have livelihoods capable of delivering wellbeing that operate within planetary boundaries. Because, if they don’t, how do we prosper?

On a very practical level, the economy could be boosted and employment created by investing at scale in a ‘green new deal.’ First proposed in 2008, it is designed to create the low-carbon infrastructure needed as foundations for an economy geared to work in equilibrium with the biosphere, rather than lethally outgrowing it. In many

cases, growth is both the wrong answer and the wrong question.

For example, at the aggregate, global level, relying on wealth trickling down from growth to reduce poverty reveals itself as inefficient, unreliable and potentially counter-productive. Amidst great and rising inequality, this creates the paradox that the already wealthy and over-consuming must consume even more to generate ever smaller slithers of poverty reduction. Better distribution of wealth is a quicker, simpler and more reliable way to achieve that goal.

GDP, the indicator for growth, too, locks-in political imaginations. But now we have metrics that can tell us about the quality, rather than the mere volume of economic activity. Knowing if social and environmental value are rising, and targeting policy at that aim, should weaken the simple obsession with growth. Rethinking money – who creates it, for what, and under what terms – whether, for example, to inflate property prices or rather to build important new infrastructure, allows us to imagine other ways than relying on growth, to afford the things a society needs and considers important. Many find it difficult to see how public services will be affordable in the absence of growth, but social innovations, such as building-in reciprocity or give-and-take, has the potential not just to lower the cost of, and pressure on services, but also to make them more effective. Imagine, for example, a GP's surgery in which elderly people take up more time than purely medical complaints might explain, perhaps driven by loneliness, modern alienation and insecurity. Now what if, as part of being attached to a surgery, each patient committed to giving something back. The elderly even if infirm might make a neighbourly phone call to someone else living alone to see how they are. Depressive conditions linked to loneliness are a major health, time and financial cost. Such approaches, dubbed 'co-production', can help with all of those.

There is another fear about security in old age. Without growth, what will happen to pensions? Firstly, recent years showed that a system geared to growth is no guarantor of a reliable pension. Quite the opposite, as it turned out for millions. Value in savings was destroyed by the instability of a finance-led growth system. It is, in any case, not growth per se that people want, but the presumed security in old age that we've been told it will pay for. Here, a well-designed transition economy that helps reweave local, social fabrics could be a much less scary place in which to grow old. As we get older we may find that what once we worried would be unaffordable, may become available without the need to depend entirely on the ability to pay. Care, help and household items can more easily be found in a society with a shorter working week, more sharing and recycling schemes, and innovations in which people give their time to others through time banks and having give-and-take or reciprocity relationships with their local services. Also, a shorter working week as the social norm could soften the line between work and retirement, and the fear of dependence on an inadequate pension. We might work less, but

be able to participate and contribute for longer, getting the best of both worlds. In that way, old age is less likely to be a feared ghetto of casual exclusion, isolation and dependence. Also, crucially, by sharing out more equally any given amount of work it would be possible to ameliorate the problem of large-scale structural unemployment on one hand, and overwork on the other. With more people working shorter weeks, and spending more time at home, neighbourhood streets would become more lived-in, convivial, and less lonely, reducing fear and insecurity.

Better awareness of where our wellbeing truly stems from could reduce the futile search for satisfaction in places where great piles of research and personal experience tells us it cannot be found, such as wealth accumulation and consumption beyond what is sufficient for a good life. This, too, would help defuse the growth dynamic. Related

**Goods being repaired,
recycled and re-used
implies a big shift towards
the substantial growth of
employment in maintenance
and services**

is the 'better not bigger' economy in which value is maximised in a material economy in which the flow of goods is circular, rather than characterised by waste. Goods being repaired, recycled and re-used implies a big shift towards the substantial growth of employment in maintenance and services – a dynamic economy, but one in which the absolute through-put of materials is reduced – an ecological 'plugging the leaks.'

Instead of our current dysfunctional relationship with the material world – expressed through wasteful and ultimately unsatisfying passive consumerism – we could develop a 'new materialism' in which we learn to love stuff, in a healthy way, cherishing and caring for it.

How can we circumvent the pressure for growth that results from the expectations of shareholders for high returns, and the demands made on firms by the high cost of capital? A bank like JP Morgan, which might expect up to a 20 per cent return on its money, is like having a giant financial whip cracking over the head of the economy, telling it to grow. An obvious forward step is to shift the balance of corporate ownership and governance away from the domination of the shareholder model. Social and environmental objectives can be more easily balanced with privileged position usually given to finance in models that embrace broader objectives. Mutuals, co-operatives and social enterprises are, well, more mutual, co-operative and socially interested, as well as better insulated from pressure to grow for its own sake. We can, then, readily begin to imagine living without growth.

Our political obsession with it is fairly recent, but its hypnotic power is great. The pursuit of growth is used to justify the erosion of employment rights, marginalisation of the public sphere and the tearing up of environmental protection. Yet advocates of all these constituencies call for more growth in the belief that it will answer their problems.

As John Ruskin put it with regard to unhealthy obsessions in *Unto This Last* (1862), "Lately in a wreck of a Californian ship, one of the passengers fastened a belt about him with two hundred pounds of gold in it, with which he was found afterwards at the bottom. Now, as he was sinking – had he the gold? Or had the gold him?" **F**

Policy pitch

By any measure, the outlook for families on low and middle incomes is gloomy. According to the Institute for Fiscal Studies (IFS), they have experienced an unprecedented collapse in living standards already, and forecasts suggest that even if robust growth returns after 2017, incomes for these groups will be no higher in 2020 than they were in 2007.

These dismal projections suggest that the conventional economic wisdom that guided policymakers for the latter part of the 20th century – that a rising tide will lift all boats – is unravelling. In fact it has been unravelling for some time: workers in the bottom half of earnings have been taking home a smaller share of the UK's wages since the 1970s, even while the economy was growing strongly. The link between productivity and pay is broken: working hard no longer guarantees you will get ahead.

Growth alone may not be enough to improve living standards: we must also pay close attention to how that growth is distributed. In better times, Labour's approach was to redistribute via the tax credit and benefits system, putting £175 billion into the purses and wallets of low earning households. Comparing the UK to the US – where the crisis in living standards has been even greater – shows just how vital these policies were to insulating poorer households from soaring market inequalities.

But redistribution is problematic in harder times, for two reasons. First, there simply isn't the tax revenue there to redistribute. Secondly, any perception of 'excessive' redistribution can cause public backlash – a fact being used to great effect by some Conservatives to reinforce their preferred and problematic framing of welfare issues as a battle between strivers and skivers.

We will fall into the trap if we make the living standards debate primarily about welfare. That needs to be rebalanced by a new focus on wages and work. This is not only because of the reasons above, more importantly it is because low pay is fast becoming a defining economic problem of our times. Just over one in five UK workers are in low wage jobs, and the sectors where low pay dominates are projected to expand rapidly. With two thirds of children

Unsqueezing the middle

The UK's low-pay, low-productivity economy means living in a dual-earner household is now the best route out of poverty. We need an active strategy for broader-based growth, argues *Sophia Parker*



in poverty living in households that are in work, George Osborne's divide between the feckless poor and the hard-working middle has never looked so false.

So an agenda for broader-based growth means focusing on market reforms that encourage a more equal distribution of power and rewards, even before taxes or benefits. Specifically, it means enforcing the minimum wage, and maintaining existing employment protections. More, it means introducing a living wage wherever possible, and crafting an intermediate education and skills policy that actually works for low wage sectors. Longer term, the goal must be to shift the UK from a low-pay, low-productivity economy to a high-wage, high-skill one.

It also means developing meaningful protections against risk in a more precarious world, as we chart the rise in zero-hours contracts, atypical working hours and the growth in involuntary part-time work. All these suggest that the shortcomings of the flexible labour market model so favoured by the UK are beginning to outweigh the benefits, particularly for workers lower down the income distribution.

In practice this requires greater bargaining and organising power for workers – shown by both the IMF and OECD to improve wages without harming growth. Unions play an important role here, but so too do new forms of worker organisation, such as employee-owned mutuals and the

shared capitalism models advocated by economist Richard Freeman. We need better mechanisms for holding the highest-paid to account. Our long-term goal must be a major seachange in the norms about wage inequalities and the responsibilities that organisations have to their workers.

And finally, an agenda for broader-based growth means making the needs of working families a core priority. Over the last generation, families have insulated themselves from the decline of male wages by sending women out to work. In 1968, 71 per cent of net household income came from male wages and 11 per cent came from women's. By 2008/09, 40 per cent of this income came from men, and 24 per cent came from women.

Many low earning families find they require both parents to be in work to keep their heads above water. Tony Blair's adage that work is the best route out of poverty is too simplistic – 'living in a dual-earner household' is a better reflection of the evidence, albeit a less catchy phrase. It is vital that the tax and benefits system does not discriminate against second earners. Closing the gender pay gap, providing decent affordable childcare and eldercare, and requiring flexible working practices must now be seen as central to the future economic security of low earning households, rather than simply being treated as 'women's issues'.

As our nation has got richer, low and middle income households have suffered first a stagnation and more recently a decline in living standards. All the while, inequality continues to soar. It is too easy to put this down to trends such as globalisation, technology and immigration. These trends matter greatly, but we know from the different fates of low earners in different countries that the impact of such trends is shaped by whether or how governments respond. The US provides a cautionary tale about what happens if government stands back and lets the market take care of things. Unless we actively craft a strategy for broader-based growth, the future for low earners doesn't look promising. **F**

Sophia Parker is the editor of The Squeezed Middle: The pressure on ordinary workers in America and Britain

Investing in childhood

The left needs to remember that, even in a constrained fiscal environment, policy can make a real difference to tackling child poverty in a positive way, argues *Kate Bell*



*Kate Bell is London
campaign coordinator at
Child Poverty Action Group*

POLITICAL COMMITMENT TO ending child poverty isn't what it used to be. From 2010's dizzy heights of embedding the target to abolish child poverty by 2020 in legislation, we now find it – potentially – downgraded to a footnote in the history of the last Labour government. Progress towards the target has stalled, with June's figures showing a flatlining of the previous reductions in relative poverty, as incomes fell across both low and middle income households. The absolute figures showed a worrying tick upwards, as the incomes of those at the bottom failed to keep pace with inflation. And as the prospects of hitting the 2020 target recede, those on left and right are increasingly questioning its status and usefulness, in both policy and political terms.

A focus on child poverty now seems such a fixture of the policy landscape that it's possible to forget why we started concentrating on this area in the first place. Part of the emphasis on poverty among children came from a simple focus on the numbers. While in the 1960s and 1970s children had experienced poverty at about the same rate as the rest of the nation, from the late 70s onwards, poverty among children overtook even the rapidly increasing overall rates.

As child poverty grew, so did the evidence of the damage that it can do to children's lives. Childhood suffers when families are poor, with recent research by the Children's Society on children's subjective wellbeing finding that children in the poorest 20 per cent had "much lower wellbeing than average". Of course poverty isn't the only factor that matters here – the research shows that family life, satisfaction with home and school, relationships with friends, a sense of autonomy and health are all important.

Poverty not only damages children's lives in the here and now, but as extensive research evidence shows, harms their future prospects too. To take just one example, research by Jo Blanden, Steve Machin and Kirstine Hansen for the

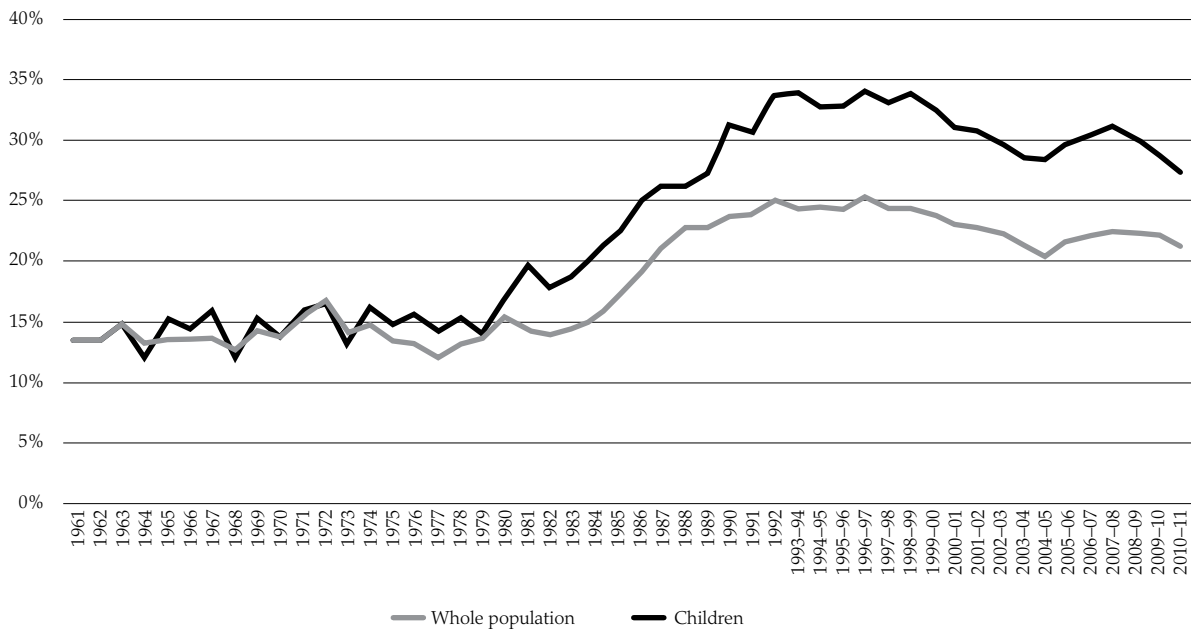
Joseph Rowntree Foundation (JRF) found that growing up in poverty reduces future earnings by between 15 and 28 per cent. Recent research by Donald Hirsch published by the Child Poverty Action Group (CPAG) estimates the knock-on costs of child poverty to total around £29bn a year.

Focusing on *why* we tackle child poverty helps us to think about how we talk about the issue in a way that may be more resonant with public debates. It's not that the public don't see child poverty as important: 82 per cent in a recent YouGov poll for the End Child Poverty coalition said that child poverty should be a priority for any government to tackle, and 64 per cent said that the current government isn't doing enough. But as Ruth Lister has written, "no-one ever marched under a banner" of "proud to be poor", and both parents and children are naturally reluctant to identify their problems as those of poverty. However, it's hard to find a parent who doesn't think that their kids should have a decent childhood, or the best possible chances in the future. We could do more to talk about what that positive vision might look like, as well as how child poverty is a barrier to achieving it.

How do we prevent poverty? Widespread international evidence shows that countries with low child poverty rates combine high rates of maternal employment with (normally universal) benefits that meet the additional costs of children. We need more affordable childcare and a labour market that better enables parents to combine work and parenting to improve our internationally poor performance on maternal employment, but this isn't an alternative to investment in financial support for children. Wages aren't designed to vary with the number of children in a family, and even a more generous or living wage won't be enough to meet the costs of children alone. That's not to say it wouldn't help.

While, at present, the UK tilts towards spending on benefits rather than on services, that's predominantly because

Chart 1: Poverty rates among the whole population and among children, 1961 to 2010/11
(measured as falling below 60 per cent of contemporary median income after housing costs)



Source: Figures produced by the Institute for Fiscal Studies from the Family Expenditure Survey (until 1992) and the Family Resources Survey.

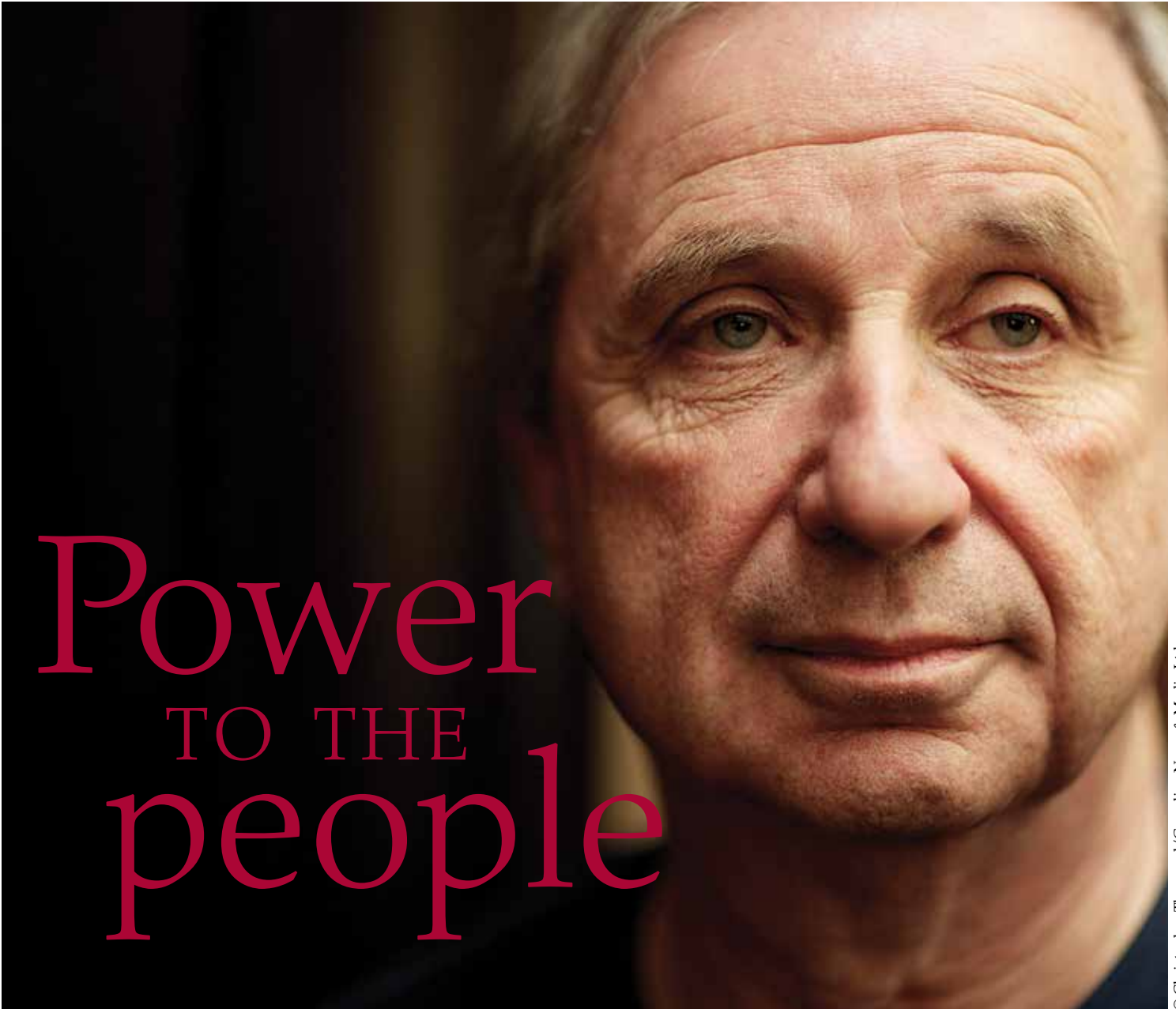
our highly unequal labour market makes the cost of bringing up families on a minimum that much higher. But as William Beveridge spelt out, a full-employment policy and universal family allowances aren't either/or policies, but essential complements, both ensuring that families don't face destitution during periods of unemployment, and that they will always be better off in paid work. We need to resist the temptation to bring everything down to a question of where to place the Treasury's marginal pound; families need both childcare and help with the costs of children.

What should we do to improve the experience of children who live on a low income today – to ensure that they can fully participate in society? One strategy is to reduce the areas in which income is what shapes their lives – to decommodify the experience of childhood. Universal free school meals – already adopted by several local authorities – would not only remove a continued source of stigma for poor children, but also improve work incentives and increase educational attainment. Local authorities have huge scope to ensure that all services – whether a swimming pool or a library with internet access – are equally accessible to all children, and that children don't feel that the poor quality of the neighbourhoods in which they live reflect their social status. A focus on children's experience may also put some constraints on our other policy options – evidence suggests that children's wellbeing is affected by the time they spend with their families, suggesting some limits to a strategy of asking all parents to work full time.

The importance of breaking the link between family income and children's outcomes is now common parlance across the political spectrum, with the coalition government investing heavily in rolling out additional early years education for disadvantaged pupils, and in the pupil premium for schools with children taking up free school meals, as well as an increased cross-party focus on health inequalities.

Focusing on a lifecycle approach to poverty gives us a range of interventions we can feel confident are making a difference to the lives of children. Part of the reason for that confidence should be the success of measures in each of these areas in the last decade. We know that we can increase maternal employment: the lone parent employment rate increased by 14 percentage points since 1997. We know we can improve children's wellbeing: in Unicef's most recent assessment of child wellbeing in rich countries, the UK moved from 29th – last place – to 16th over the 2000s. And we know we can make progress on breaking the link between poverty and low educational attainment: the incredible performance of London's schools, in which the performance of children on free school meals has overtaken the national average for all children (poor and non-poor) is a corrective to any idea that policy can't make a difference.

Can we afford to do all of these things at once? Not to the extent that we want to. But none of these areas are those where the state is going to simply stop spending money; the challenge is to pick the smartest, most cost-effective interventions within each area, rather than setting up straw man debates between 'incomes or services' 'transfers or employment', when the reality is that we'll always need a bit of both. How will we know if we're getting this right? The 2020 target sets out a metric for our overall vision, but we need to focus on some outcome measures that show whether we're heading in the right direction. Measuring our progress in increasing parental employment, improving children's wellbeing, and narrowing the gap in educational attainment might be one way to do that. Most of all though, we need to keep in mind why tackling child poverty matters. It's not a narrow statistical concept, but an investment in securing decent childhoods and decent futures for all. **F**



© Christopher Thomond/Guardian News & Media Ltd.

Power TO THE people

Arnie Graf has brought a revolution to Labour's campaigning, replacing clipboards and cold-calling with a focus on community power. Ed Miliband's faith in him is absolute, but *Mary Riddell* asks if a breakthrough can be made before the next election



Mary Riddell is a columnist for the Daily Telegraph

ON ARNIE GRAF'S tube journey to our meeting, a young woman had stood up and insisted that he take her seat. "First time that's happened," he says. "It made me feel very elderly." At 69, Graf does not look old, but he does have the slightly weary-eyed appearance of the too-frequent flyer. His routine obliges him to shuttle between the US and the UK, where he now spends half the year seeking, at Ed Miliband's behest, to rebuild Labour's way of doing politics and so win the 2015 election.

Although Graf makes no great claims for his role, it is hard to overstate his influence on Miliband, who last year commissioned him to carry out a thorough review of the party. Miliband's preferred campaigning style, featuring meet-the-people sessions in market squares, is textbook Graf, as is the focus on community power. The science of Grafology, in basic terms, means an end to the clipboards, cold-calling, door-knocking and envelope-stuffing on which all previous Labour victories (and routs) have relied. The new technique is to mobilise apathetic and disenfranchised voters by helping them to change their lives and neighbourhoods for the better.

While the success of Graf's project has yet to be tested, the trust invested in him is beyond doubt. Asked if he is pivotal to Labour's election chances, Graf says modestly: "I have some humility about this. What's really important is the team." As one of America's best-known community organisers, he has imported a system that works on an inverted pyramid principle. If a handful of people turn up to a meeting, they are encouraged to bring their friends, who in turn recruit more helpers until a critical mass is reached.

By that method – and through the unaffected warmth that Blue Labourites would label 'relational' – Graf turned a single-figure attendance at an early civic get-together in Preston, Lancashire, into a capacity house with crowds queuing in vain to get inside the hall when Ed Miliband turned up to speak. Away from the stump, Graf sits down regularly with Miliband to brief him on what he is hearing at street level. It is possible to imagine that an outsider bearing no Labour party baggage is someone in whom Miliband can confide his hopes and disappointments.

"Sure. It's two human beings talking, but I'm not a father confessor to him. My work takes me out into the country, so I'm really not around for that kind of role." Whatever the relationship, Graf and Miliband are an unusual pairing. They met some time after the leadership election and long after Graf had first been brought into the leader's circle by the Blue Labour luminary, Maurice Glasman. Having met Marc Stears, Miliband's old friend and speechwriter, and other key aides and advisers, Graf was finally introduced to the leader, with whom he seems to have established an instant rapport. The only thing more astonishing than the speed of Graf's rise to power is that such preferment should hold any allure for him.

His arrival was marked by a flutter of media interest in two details. The first was that he had been instrumental in rebuilding the drug and crime-ridden Baltimore estate where *The Wire* was filmed; the second was his role as a former mentor to Barack Obama. As a community organiser of 50 years' standing and a co-director of the Industrial Areas Foundation in Chicago, Graf was not a likely candidate for a radical change in lifestyle.

Nor did he have any past form in politics, having declined all previous offers of work from US candidates for Senate and Congress and refused even to join a political party. "I had nothing in common with the Republican party, and I didn't really care for the Democratic party. The Republicans, and the Democrats in a different kind of way, are so tied up with money that they can't really be what they should be.

"So while I voted for Obama and was happy he won, I've been critical of his handling of the foreclosure crisis, the banks and the financial economies." That disenchantment with the centre-left politics of his homeland makes it all the more singular that Graf should choose to disrupt his life, take a sizeable pay cut and commute across the Atlantic to work for a newly-installed and much-criticised British Labour leader of uncertain prospects.

Why does he like Ed Miliband? Let him count the ways. "One is the personal level. I believe that he is as decent a person in a political position as I've come across. He has compassion. Any number of politicians have a capacity for sympathy. I imagine David Cameron has that. A sympathetic person feels sorry about something, maybe donates to a cause and carries on with their own life. An empathetic person, a compassionate person, can put themselves in someone else's shoes and feel what they are feeling.

"I've seen that in Ed because I've travelled with him quite a bit. I see him on a train and talking to people. I was attracted by his compassionate heart – and then he attracted me politically. I like Labour's traditions and its values, and a victory would be important outside Britain. If Ed could win with Labour values, he would say to other politicians that you can run on [that prospectus] and you can win."

Whether the qualities that attracted Graf to Miliband can magnetise the populace at large is open to question, at the very least. As Graf says: "If the Ed on the train could get translated to the nation, we'd win for sure."

Though Graf does not say so, it seems likely that he sees – in a British politician raised in privileged circumstances – the vehicle for achieving his own goal of a more just society. Graf was also raised in a comfortable milieu, but his father, denied a high school education, had been a janitor in a handbag factory before becoming a salesman and successful businessman. Graf's wider family stayed poor, and their experience instilled in him "a physical, visceral reaction" to disadvantage.

The second factor that shaped him seems to have been his own mortality. Some years ago, he says, he was diagnosed with prostate cancer, and his survival – after weeks of not knowing whether the disease had spread – makes him more eager to seize his chances. The third milestone was the civil rights movement during which Graf, an active campaigner in the early 70s, received regular death threats.

"I'd get a note from someone saying I'd been seen in the men's room at a certain restaurant at a certain time, and I knew I was being followed." There was no point complaining to the police, who were so against civil rights that they would do nothing. One officer said to me: "You're Arnold Graf? I hope they kill you."

Some years later, Graf met Martha – now a professor of social work, his wife of 40 years and mother of their four children, of whom the oldest, Alisha Graf Mack, is a renowned dancer whose work brings her into contact with Michelle Obama. It was Graf's marriage to a black

woman, a rare phenomenon in the America of his youth, that brought him to the notice of the current US president.

Graf, who has always sought to dismiss his label as Obama's former mentor, continues to play down their contact. "I haven't even seen the guy in 27 years." None the less, it sounds as if their brief period of contact came at a pivotal time in the future president's life. Having enrolled at the centre where Graf was training community organisers in Chicago, the young Obama explained that he was looking for a certain kind of mentor. "He sought me out. He'd been talking about immigration and asked whether there was a trainer in a stable mixed-race marriage. He'd been raised in Hawaii, educated at a Muslim school and he was thinking about racial identity.

"He didn't come across as troubled. He was 25 or so, and he was searching – figuring things out. I saw him several times over 10 days. He asked me all about how to raise children and about their [relationships with] grandparents. When I asked him questions back, there was a lack of emotion. I took it as a young person coming to terms with who he was, but I see that [detachment] in him now."

Even so, Graf was sufficiently impressed with his charismatic pupil to offer him a job. "I tried to hire him, but he turned me down. He told me he wanted to be the leading civil rights lawyer in the country or a judge. When I asked him why, in that case, he was learning about community organising, he said: "Because I want to understand about people."

And so Obama progressed towards the White House while Graf, many years later, ended up in Lancashire – the test bed for the new democracy that Miliband hopes will win him the election. Having recruited organisers and volunteers, Graf encouraged them to draw up a local manifesto listing priorities such as better social care, a move against anti-social behaviour, a living wage, more housing and fewer potholes.

The test was to see whether his message, of power to the people, could restore the left's fortunes on a Tory-held council where Labour held only 17 out of 86 seats. "We did extremely well. We took back 22 seats, we became the majority party and we nearly won it outright." That progress failed to represent a trend in the May local elections where Labour's overall showing looked disappointing compared to a night of triumph for Ukipp.

Perhaps inevitably, some commentators looking for scapegoats settled on Graf as the guru who had failed to work a miracle. In addition, the vested interests to whom Graf is opposed also exist within the Labour party and may take none too kindly to outside intervention. Asked whether he gets hostility from some quarters, he says: "It's a fair question. There are days when I say to myself: 'This is why I never got involved with [political] parties.'"

What examples can he cite? "Take something like pay day lending, which I think is an abomination. There are people in the party – not Ed – who keep pushing that you can't set interest caps because you'll upset the City and bankers." Does he consider Ed Balls too pro-City? "I don't know. I've only met him once – a really good meeting, and he's invited me to go to his constituency, which I'll do. I'm not ducking the question. I just don't know whether he's too pro-City, but I have other names – not him. People who have said to me: 'Be careful.'"

Are these people high up in the party? "Yes." Their advice is, he says, to "stay away from certain issues and concentrate on local things, such as dog fouling and potholes. Go after the Tory councils. Don't go after the market sector. Don't go talking about organising lots of people to move their money from a certain bank. Stay away from those kinds of issues."

Graf has flouted that advice, supporting activists in Southampton who have persuaded the local council to move their payroll to a local credit union which has promised, in turn, to give workers loans at rates that vastly undercut those of payday sharks. Despite the prominence of his critics, he says they have "no authority", citing the free hand he has been given by Miliband.

Presumably Graf's ideas on organisation were new to figures such as Tom Watson, the party's departed election organiser. Graf, speaking before Watson's resignation, says they got on well. "He came to meet community organisers, and he was great." So enthusiastic is Watson that he apparently wanted to call the organisers' training programme the Arnie Graf Academy, but modesty prompted its founder to decline that suggestion.

Another senior backer – one for whom Graf reserves especial praise – is the party's general secretary, Iain McNicol. But is it really possible that the breakthrough sought by both men can be made before the election, or will Labour default to its old campaigning methods? Graf thinks that the community organising he is trying to embed will take "more like seven or eight years", but he hopes that volunteers – many drawn from among uncommitted voters – plus the 200 paid organisers that Labour hopes to recruit by the end of this year will contrive radically to change the 2015 campaign.

His target, "the additional vote that's going to get us over the top," is the "lazy voter. They vote sometimes and not others, and there are a lot out there." He is not relying solely on grassroots activism to engage the politically estranged. As he points out, the recently recruited Matthew McGregor, known as Obama's 'digital attack dog', will supply the online input vital to any successful campaign. Were Labour to lose, however, is it not likely that the Graf revolution might be quietly scrapped? "I'm positive. My hope is that even if we don't win, people will feel so good about increased participation that they'll carry on.

"You can't take democracy away from them, [no matter] who the leader is. If we lost and the party put Ed out and someone else in, I would hope there would be enough people saying: this is our party, and we do our manifesto." Not that Graf is being defeatist. "I think we can win. I really do."

Can or will? "I don't know about will. I think we can." The promise that all things are possible is a small echo of the first-term Obama, the former pupil that Graf has not seen in decades. But, a little while ago, he heard from him again when a rabbi whom Graf had taught was handed a civic award by the president.

Told that he had been mentored by the same person as the recipient of the gong, Obama turned back as he was being ushered offstage and asked: "Really? Who is that?" On hearing Graf's name, the President of the United States is said to have replied: "Will you tell him he had a big impact on my life?" Ed Miliband, within reach of becoming the next prime minister, will hope that one day he can say as much. **F**

Books

The symptoms of austerity

Arun Chopra finds that austerity isn't just bad for our economy, it's bad for our health

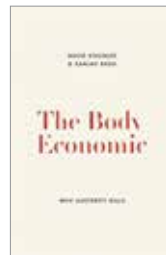
The debate about whether to respond to the economic downturn through stimulus measures or austerity has proceeded along political and ideological grounds and is mostly grounded in economic indicators. In *The Body Economic: Why Austerity Kills*, epidemiologist, Sanjay Basu and economist, David Stuckler, explore the financial crisis and how to respond to it from the perspective of health outcomes. As the title suggests, they argue – persuasively – against austerity.

Recently one of my patients with schizophrenia was admitted to hospital for the first time in a decade. We explored the factors that led to this. Local authority budget cuts meant his social worker was reassigned and the charity he volunteered at was closed. Without support and structure, he missed his medications and appointments with the job centre. His benefits were stopped. He became homeless and turned to street drugs. Ultimately his psychosis returned and he turned a knife on himself. Fortunately, the police intervened.

Clinical situations like the one above are symptomatic of austerity. Stuckler and Basu argue that maintaining social protection schemes not only keeps people well but aids economic recovery. Using their own meticulous research from across the world, they demonstrate that austerity packages are never the right prescription.

Their research shows that those US states that adopted the New Deal stimulus measures in the face of the Great Depression in the 1930s had lower child mortality, suicide and infectious disease rates and experienced a more rapid economic recovery than the states that didn't. In the wake of the collapse of communism in the early 1990s, Russia underwent a US government supported 'shock therapy' of rapid privatisation. The mass joblessness that resulted led to surges in alcoholism and associated heart disease and the life expectancy of Russian men fell from 64 to 57. Russia's neighbour, Belarus, chose a more gradual path to capitalism which kept poverty low and prevented a health crisis. When the Asian 'tiger' economies collapsed in the late 1990s those countries that accepted International Monetary Fund (IMF) bailouts were also prescribed generous doses of austerity. Forced to cut its HIV reduction programme, Thailand's budget for medication coverage to prevent mother-to-infant transmission could only meet 14 per cent of the need. Half the infected children died before their 5th birthday.

The IMF emerges as the villain of this piece, continuing to advocate austerity during the recession, despite mounting evidence against this.



The Body Economic: Why Austerity Kills

David Stuckler & Sanjay Basu

Allen Lane, 2013
£20



Arun Chopra is a consultant psychiatrist and hon. lecturer at the Institute of Mental Health

Iceland's citizens rejected an IMF bailout with austerity strings attached and have retained high levels of health and happiness and the country has returned to growth. In contrast, Greece took the bitter pill of IMF and European Central Bank austerity. As private hospitals became unaffordable, admissions to the state hospitals rose by 25 per cent, whilst austerity measures meant that 35,000 clinicians lost their jobs. The result was increased waiting times and people becoming sicker. Suicide rates have risen by 20 per cent. In 2012, the Greek health minister blamed the crisis on immigrants who were a burden on the health system.

This book is filled with data and is heavily annotated, yet reads well and the clinical examples add a particular poignancy. In one case, Basu describes how an unemployed US teacher avoided seeking help for a splinter because of the high health cost incurred outside of health insurance. She developed sepsis leading to organ failure and a stroke and now requires 24 hour care. They support Obamacare, which has brought health coverage to millions more Americans and are baffled by why the British government wants to take UK healthcare towards a more market-based approach. Free access to the NHS has prevented the worst health effects of the recession – however waiting lists are growing and public satisfaction with the NHS is declining. A&E is at breaking point as it struggles to meet rising demand and in areas of healthcare like mental health that depend more heavily on social care and voluntary sector organisations, there is evidence of a crisis. Stuckler and Basu report 1000 excess suicides due to the economic crisis between 2007-10 and a second wave of 'austerity suicides' in 2012.

This book adds to the compelling case to preserve the NHS. Former Conservative policy chair, Oliver Letwin, said in 2004 that the "NHS will not exist" within 5 years of a Tory government. Healthcare, as well as the economy, will be a key policy battleground in the 2015 election.

In April 2013 a significant error was found in Carmen Reinhart and Kenneth Rogoff's Harvard research paper that reported that a more than 90 per cent debt-to-GDP ratio led to dramatic slowing in economic growth – a finding that has been the basis for advocating austerity. Together with the prescription from this book, it is difficult to see how austerity proponents can continue to justify this approach. Perhaps politics, like medicine, should aspire to be guided more by evidence, rather than ideology. **F**

A taxing problem

Sol Picciotto outlines a new approach to taxing multinationals, which taxes them according to their real presence in each country



*Sol Picciotto is
emeritus professor at
Lancaster University*

THE RECENT OUTRAGE over the widespread and systematic tax avoidance by some of the richest and most powerful companies in the world, such as Amazon, Apple, Google and Starbucks, has highlighted how dysfunctional the existing system of international taxation is. And it's a problem which goes beyond the direct loss of revenue.

Far-reaching tax avoidance by multinational companies undermines the general legitimacy of taxation. It gives the multinationals that exploit avoidance opportunities very significant competitive advantages over national firms, resulting in inefficient allocation of investment and major distortions to economic activity. At the same time, it distorts the decisions of these firms themselves, resulting in some benefits to some countries but overall economic welfare losses.¹ It has particularly distorted the finance sector, as an element in shadow banking and other techniques which contributed to the excessive leverage which helped to feed the bubble which caused the financial crash of 2007–9. It sustains the international tax avoidance industry, resulting in enormously wasteful expenditures for both firms and governments; this problem is particularly great for developing countries, which can ill afford the resources wasted in training officials to master the increasingly complex international tax rules. Finally, the techniques and facilities devised by the tax avoidance industry, using the 'offshore' tax haven and secrecy system, are also used for all kinds of evasion, not only of taxes, but of other laws, including money-laundering for crime, corruption and terrorism.

How did we get here?

The problem results from a deep structural flaw in the international tax system. This flaw is the failure to treat multinational enterprises according to the economic reality of their activity as integrated firms. Instead, a principle has become gradually entrenched that they should be

taxed as if they were operating as separate enterprises in each country. This not merely allows but encourages multinationals to organise their affairs by forming entities in suitable jurisdictions to reduce their overall effective tax rate. Hence the problem does not result solely from the immoral and sometimes illegal activities of companies: it is governments that are responsible for the rules, and should therefore ensure that they are thoroughly reformed.

International tax treaty provisions are still based on models drawn up under the League of Nations in 1928, when international investment was mainly loans. They gave the state of residence of the investor the primary right to tax investment income (interest, dividends, fees and royalties), while the host country where the business is located could tax its profits. Some multinationals had emerged by the 1920s, and the rules were adapted for them, by requiring branches and affiliates in different countries to be treated as if they were independent entities dealing at arm's length.

The multinationals that developed in the last half-century are very different. As business organisations they are highly integrated and centrally directed. But in legal form they consist of often hundreds of different affiliates, created to take advantage of national rules, especially on corporate residence and the sources of income. Indeed, they lobby governments everywhere to mould laws and regulations to suit them. So it is disingenuous for business representatives to say that they only obey the law as it stands, but nevertheless true that it is the primary responsibility of governments to ensure that the law is effective.

Patching up the system

Until now the OECD's Committee on Fiscal Affairs, which is the main custodian of the system for international co-ordination, has preferred to try to patch it up, but this has resulted in increased complexity and confusion. For example, the OECD's transfer pricing guidelines now amount

to some 370 pages, which are discursive, imprecise and indeed incoherent, yet they have some effect under UK law, hence delegating some law-making powers to the OECD. The guidelines now allow five different methods for adjusting accounts between related companies. But they still insist that in principle the different parts of a firm in each country must be considered as if they were independent of each other. This allows, in fact encourages, integrated multinationals to use complex group structures to avoid tax.

Tax authorities try to combat such strategies. The OECD guidelines have recently been adopted by emerging and developing countries, which are now strengthening their scrutiny of transfer pricing. Nevertheless, the variety of methods allowed and the wide scope for interpretation of the guidelines result in significant disputes and conflicts. For example, India now has 3000 cases pending before tax appeals tribunals, and a frosty relationship with the US Internal Revenue Service (IRS), which has suspended bilateral mutual agreements. The transfer pricing regime is now generally regarded as failing: it may provide a nice source of income for tax advisers, but hardly ensures certainty for business.

Conflicts over apportionment of the profits of multinationals are not new, and arise also between OECD countries. They result from the indeterminacy of current rules and the consequent wide degree of discretion given to tax authorities which apply them. This means that decisions involving often hundreds of millions of dollars are taken secretly, with little accountability. The terms of these deals are generally known only to the firms concerned and their advisers, so that even similarly situated firms may be unaware of how their competitors are being treated. For example, the major conflicts of Glaxo (now part of GSK) with several tax authorities over its profit apportionments came to light because it had to resort to legal action. In particular, in 2004 Glaxo contested an assessment by the US IRS amounting to US\$5.2 billion in back taxes and interest, claiming indeed that it was due a \$1b refund; the case was finally settled with a payment by Glaxo of US\$3.4 billion. Experienced practitioners confirm that such disagreements are common, and that despite the enormous sums sometimes involved they are generally settled by this kind of horse-trading. Many corporate tax advisers would greatly appreciate a better approach.

Is there a way out of this mess?

The only way to get a grip on taxation of multinational companies is to begin to look at them as what they are, unitary firms, and tax them according to their real presence in each country.

The time is clearly now right to take a serious look at unitary taxation, and for the UK to take a lead on this. Such an approach has a long history. It has been used for state taxes in federal systems with unified markets, such as Canada, Switzerland and the USA. California, for example, developed it to stop Hollywood film studios siphoning profits out by using distribution affiliates in Nevada.

The time is clearly now right to take a serious look at unitary taxation, and for the UK to take a lead on this

The EU also now has a fully worked out proposal for a common consolidated corporate tax base (CCCTB), developed by the European commission in consultation over several years with business representatives and specialists. It was approved, with some amendments, by the European parliament in April 2012, and since then has been under consideration by the Council of Ministers. The proposal could certainly be improved, but if adopted it would go a long way towards dealing with many of the avoidance devices, for example the use of entities in Ireland and the Netherlands as conduits for low-taxed income flows. It is not

surprising that such member states have opposed the proposal, but it is regrettable that successive UK governments have been sceptical or hostile. Far from handing more power to Brussels, it would help to restore tax sovereignty.

A way forward

Unitary taxation is not a panacea, but it would go a long way towards placing international corporate taxation on a sounder foundation. It would replace or greatly simplify most of the main complex and problematic areas of international taxation: not only transfer pricing regulations, but also rules on corporate residence and source of income, as well as anti-abuse provisions. Compared with those thorny problems, the difficulties to be resolved in making unitary taxation workable are relatively minor.

It does not involve wholesale replacement of one system by another: a gradual shift to unitary taxation is both necessary and possible, building on elements in the existing system. The need is for a road-map and a strategy for transition. A workable system should have three components. First, combined and country-by-country reporting: multinationals should provide each tax authority with consolidated accounts for the group as a whole (eliminating internal transfers), as well as data on assets, employees, sales, and taxes actually paid in each country. Secondly, profit apportionment: the overall profit would be divided between countries according to allocation keys (employees, assets and sales) reflecting the company's real presence in each country. Thirdly, a resolution procedure, to resolve disagreements between national tax authorities on the appropriate apportionment.

Each of these elements can be introduced to some extent immediately, and could be refined gradually. The OECD's tax experts are due to produce an Action Plan in July for their project on Base Erosion and Profit-Shifting, to be considered by the G20 in September. There are hopeful signs that it will include combined and country by country reporting, and may accept that further steps towards adopting a unitary approach should be studied. If so, reform may at last be possible to make the international tax system more in tune with the economic reality and political needs of the 21st century. ■

Notes

1. C. Keuschnigg & M. P. Devereux (2013). 'The arm's length principle and distortions to multinational firm organization.' *Journal of International Economics*. 89: 432–440.

Labour's luminaries

Louise Raw tells the story of the matchwomen, the mothers of the modern labour movement



In the summer of 1888, there was uproar on the streets of the East End.

1,400 matchmakers, mostly women and young girls, had walked out of Bryant & May's factory in Bow and were picketing its gates.

This horrified polite society. Victorian women, especially working-class ones from mostly Irish families like these, were supposed to know their place. And that place was at home, not in a factory: and certainly not picketing outside one.

But these women had been pushed to the limit: wages were so low the youngest girls were actually malnourished. Workers were bullied by their foremen, verbally and physically. Illegal fines were imposed: one woman was fined for modifying a machine which had been cutting workers' hands. Shortly afterwards a work-mate lost a finger to the same machine; she was cursorily dismissed.

White phosphorus, used to make popular 'Lucifer' matches, was so toxic even brief exposure to fumes caused vomiting. In full-blown phosphorus poisoning, or 'phossy jaw', the jawbone rotted, and pieces of bone the size of peas worked their way out through putrid abscesses. The smell of decay was so unbearable, factory inspectors would find matchworkers dying alone like lepers.

These horrors were revealed just before the strike in an exposé by Annie Besant, a key member of the Fabian Society, in her paper *The Link*.

As a result of this, Bryant & May blamed her for the strike, despite her strong denials.

Studying Besant's own journals and writings, I found that she was telling the truth: she had only planned a consumer boycott. The firm's own archives revealed the names of five matchwomen foremen considered the real ringleaders, and evidence of previous strikes.

I began to piece together what had really happened.



The firm had tried to force the women to condemn Besant as a liar. They refused, smuggling out a warning note:

'Dear Lady, they have been trying to get the poor girls to say it is all lies that has been printed and to sign a paper ... we will not sign ...'

"Stand shoulder to shoulder. Remember the matchgirls, who won their fight and formed a union"

One woman was then sacked as a scapegoat, but rather than being intimidated, her work-mates downed tools and streamed out of the factory gates after her. Six women were elected to negotiate terms to the employer, including the sacked woman's re-instatement and an end to fines. They met with angry rejection.

The women went several days without money, but journalists noted their cheerful solidarity: "... 'I can pawn this for you', 'I'll lend you that'".

This was typical of women already famous – if not notorious – in the East End for their strong sense of group identity, which included their unique image: fringed hairstyles, high-heeled boots, and huge hats trimmed with bright feathers, which they bought and shared through communal 'feather clubs'.

As a Poplar resident recalled, these hats ensured the women were dressed to kill, or at least maim: "the matchgirls ... when in

any trouble, did not hesitate to use (their) horrible long hatpins to defend themselves."

The women put their case eloquently to MPs, and as political pressure mounted, Bryant & May were forced into ungracious defeat in just two weeks.

The women's demands were met, and they formed the largest female union in the country.

Nor did they rest on their laurels after their ground-breaking victory. They recruited women from jam factories and confectionery works at union meetings with tea and cake and Irish music. They showed other exploited workers the way, and waves of strikes followed.

While many historians have dismissed the matchwomen's strike as unimportant, their contemporaries knew better. Dockers' leader John Burns would urge a mass meeting during the dock strike to "... stand shoulder to shoulder. Remember the matchgirls, who won their fight and formed a union."

Matchwomen struck again in support of the Dockers: during the victory procession "... up came the dockers ... Then a large contingent of women ... match-makers, among others, advanced like a moving rainbow, for they all wore ... huge feathers of many colours".

These were the mothers of the entire modern labour movement, and Labour party. **F**

Louise Raw is director of the annual matchwomen's festival and author of Striking a Light: the Matchwomen and their Place in History

Labour's new love affair

As the party of social responsibility and the working classes, Labour should claim the armed forces as its own argues

Sundar Thavapalasundaram



The values and standards of the British armed forces have much to teach the political establishment and modern society about courage, duty, honour and sacrifice. Within the forces' family these are not just words, but the embodiment of a life spent in the service of something bigger than 'the self'.

Such 'value driven' organisations are now scarce in contemporary society, as our social paradigm has shifted towards the domination of the 'free market'. The greed of consumption and Thatcherism has cast a long shadow over our social landscape. The 'me, me, me, now, now, now' mindset. In the immortal words of Oscar Wilde, we are in danger of become a society where we "know the price of everything and the value of nothing".

It is strange then that Labour, the party of social responsibility and the working classes, has historically never claimed the armed forces as its own. As a predominantly working class 'collective', the armed forces are the personification of Labour values.

Only recently, through the inspired efforts of Jim Murphy MP and Dan Jarvis MP, has Labour begun this process. Internal party attitudes are changing and now at Labour party meetings it is common for members to passionately disagree with policy, like intervention in Iraq, while praising the courage of our forces.

The creation of Labour Friends of the Forces is reinvigorating grassroots debate and forcing old hands to re-engage with defence policy beyond the traditional confines of nuclear disarmament.

As a junior officer seasoned by the wars in Iraq and Afghanistan, I witnessed firsthand the destruction of armed conflict. I also came to understand the central role of defence in responsible global governance. Labour's traditional left wing has a key role to play in stepping up and lobbying for socially responsible defence policy. It is a

legitimate topic that warrants serious debate and the benefits of their talent.

Writing in the aftermath of Armed Forces Day, it is an opportune moment to reflect with pride on the sacrifice of so many and to ask how a Labour government will do it better next time?

The British armed forces are facing a radical austerity program that will potentially damage its ability to project force. In the words of General Sir Peter Wall, head of the army: "further cuts could harm Britain's ability to win wars". This was his response to government plans to increase reservist numbers, while cutting regular troop numbers from 102,000 to 82,000 by 2017. This 'bean counter' style of remodelling our armed services is a knee-jerk reaction to fiscal constraints and suggests the coalition lacks a credible defence policy.

Labour's traditional left wing has a key role to play in stepping up and lobbying for socially responsible defence policy

If Labour truly aspires to be the party of the armed forces, then it must create a coherent, cost-effective and integrated defence strategy. This should be immune to the short-termism of the political cycle and grounded on solid principles. Key questions on national self-defence, sustainable military intervention, international treaty obligations and nuclear deterrence will need to be answered.

Labour must also tackle inefficient defence procurement, making it transparent, reactive to frontline needs and cost effective. Vested interests that have long profited from the arms trade have no place in lobbying a future Labour government. They must be sought out and then shut out.

The strategic failure of Iraq, which followed the military victory of the second Gulf War, reminds us that Labour's 2015 defence policy must be integrated, holistic and extend beyond the traditional remit of war fighting. It must challenge conventional barriers, fostering co-operation between the departments of state and key non-government players. The Foreign and Commonwealth Office, Department for International Development, Department of Energy and Climate Change, police, security services, non-government organisations and defence export industry are among the organisations with valuable contributions to make. In Iraq, the war was won, only to lose the hearts and minds of the people that were supposed to

have been liberated. This predictable mess was the product of incompetent mismanagement by the US Defence Department who failed to engage key government and civilian experts in the post war reconstruction of Iraq.

'One nation' Labour must become 'one world' Labour by committing to transform global actors like the United Nations and World Trade Organisation. For too long the international community has perceived them as western constructs that serve only western interests. Labour must lead in making them democratic and trusted brokers to the global family.

Finally, a Labour 2015 foreign and defence strategy must infuse moral responsibility into the global community and end the hypocrisy of 'realpolitik' in international diplomacy. Propping up tyrants while talking about 'freedom' has damaged the UK's reputation and insults the decent moral values of the British people. The Arab spring illustrates this. When the Arab people rose up against tyranny, western governments (of all shades) applauded while selling bullets and bombs to their oppressors.

Elections are won on domestic issues, but history teaches us that we ignore foreign and defence policy at our peril. If we truly desire peace, democracy and the rule of law, then "we must become the change we seek in the world" and start laying the foundations for a radical defence reform agenda fit for a new age. ■

Sundar Thavapalasundaram is a member of the Fabian Society executive committee. He is an NHS GP and former major in the British army. He served as infantry regimental medical officer in Iraq and Afghanistan

DATES FOR YOUR DIARY

South Western Regional Conference

Labour's Policy Review – Shaping the Next Manifesto

Saturday 5 October

Miramar Hotel, Bournemouth

Speakers include Lord Maurice Glasman, Andrew Harrop, Lord Jim Knight.

Details from Ian Taylor on 01202 396634 and Deborah Stoate on 0207 227 4904

For information about all these events, please contact Deborah Stoate on 0207 227 4904 or at debstoate@hotmail.com

Listings

BEXLEY

Regular meetings. Contact Alan Scutt on 0208 304 0413 or alan.scutt@phonecoop.coop

BIRMINGHAM

9 July: AGM, 7.00, Priory rooms, Central Birmingham. **17 September:** Presentation on Mondragon workers co-operatives at BMI. Regular meetings at 7.00 in the Birmingham and Midland Institute, Margaret Street, Birmingham. Details from Claire Spencer on virginiaisawitch@gmail.com

BOURNEMOUTH & DISTRICT

25 October: Huw Irranca-Davies MP, Shadow Minister for Food and Farming, 7.30. Meetings at The Friends Meeting House, Wharcliffe Rd, Boscombe, Bournemouth at 7.30. Contact Ian Taylor on 01202 396634 for details or taylorbournemouth@gmail.com

BRIDGEND

Society re-forming. Members or potential members should contact Huw Morris at huwjulie@fiscali.co.uk or telephone 01656 654946 or 07876552717

BRIGHTON & HOVE

19 July: 7.45 'How can we stop Trident and ban Nuclear Weapons Globally?' Dr Rebecca Johnson. Calvary Evangelical Church, 72 Viaduct Rd, Brighton 21 July 2.00–5.00. BH Fabian Society Summer Garden Party. Tickets £5.00 Details of all meetings from Maire McQueeney on 01273 607910 email mairemcqueeney@waitrose.com

BRISTOL

Regular meetings. Contact Ges Rosenberg for details on grosenberg@churchside.me.uk or Arthur Massey 0117 9573330

CAMBRIDGE

Details from Feng Ding at cambridgefabians@gmail.com Join the Cambridge Fabians Facebook group at www.facebook.com/groups/cambridgefabiansociety

CARDIFF & THE VALE

Details of all meetings from Jonathan Wynne Evans on 02920 594 065 or wynneevans@phonecoop.coop

CENTRAL LONDON

Details from Giles Wright on 0207 227 4904 or giles.wright@fabians.org.uk

CHATHAM & AYLESFORD

New Society forming. Please contact Sean Henry on 07545 296800 or seanhenry@live.co.uk

CHISWICK & WEST LONDON

All meetings at 8.00 in Committee Room, Chiswick Town Hall. Details from Monty Bogard on 0208 994 1780, email mb014fl362@blueyonder.co.uk

COLCHESTER

Details from John Wood on 01206 212100 or woodj@madasafish.com or 01206 212100

CUMBRIA & NORTH LANCASHIRE

Meetings, 6.30 for 7.00 at Castle Green Hotel, Kendal. For information, please contact Dr Robert Judson at dr.robertjudson@btinternet.com

DARTFORD & GRAVESHAM

Regular meetings at 8.00 in Dartford Working Men's Club, Essex Rd, Dartford. Details from Deborah Stoate on 0207 227 4904 email debstoate@hotmail.com

DERBY

Details for meetings from Alan Jones on 01283 217140 or alan.mandh@btinternet.com

DONCASTER & DISTRICT

New Society forming, for details and information contact Kevin Rodgers on 07962 019168 email k.t.rodgers@gmail.com

EAST LOTHIAN

The annual East Lothian Fabian Society Garden Party will be held at the Foy's, 5 Hope Park, Haddington at 1pm on Sunday, **11 August 2013**. Details of all meetings from Noel Foy on 01620 824386 email noelfoy@lewisk3.plus.com

EDINBURGH

Regular Brain Cell meetings. Details of these and all other meetings from Daniel Johnson at daniel@scottishfabians.org.uk

EPSOM & EWELL

New Society forming. If you are interested, please contact Carl Dawson at carldawson@gmail.com

FINCHLEY

Enquiries to Mike Walsh on 07980 602122 mike.walsh@ntlworld.com

GLASGOW

Now holding regular meetings. Contact Martin Hutchinson on mail@liathach.net

GLOUCESTER

Regular meetings at TGWU, 1 Pullman Court, Great Western Rd, Gloucester. Details from Roy Ansley on 01452 713094 email roybrendachd@yahoo.co.uk

GREENWICH

If you are interested in becoming a member of this local Society, please contact Chris Kirby on cckirby@hotmail.co.uk

GRIMSBY

Regular meetings. Details from Maureen Freeman on m.freeman871@btinternet.com

HARROW

29 July: 7.45 for 8.00. Pamela Fitzpatrick. Labour Office, 132 Blenheim Rd, West Harrow. Details from Marilyn Devine on 0208 424 9034. Fabians from other areas where there are no local Fabian Societies are very welcome to join us.

HASTINGS & RYE

Meetings held on last Friday of each month. Please contact Nigel Sinden at fabian@sindenql.com

HAVERING

25 July: 7.30, Baroness Angela Smith, Roope Hall, Upminster. Details of all meetings from David Marshall email david.c.marshall.t21@btinternet.com tel 01708 441189. For latest information, see the website <http://haveringfabians.org.uk>

HULL

Secretary Deborah Matthews can be contacted at HullFabians@gmail.com,

on Twitter at @HullFabians or on 07958 314846

ISLINGTON

Details from John Clarke at johnclarke00@yahoo.co.uk

LEEDS

Details of all meetings from John Bracken at leedsfabians@gmail.com

MANCHESTER

Society reforming. Details from Rosie Clayton on rosie_clayton@hotmail.co.uk

THE MARCHES

Society re-forming. If you are interested, please contact Jeevan Jones at jeevanjones@outlook.com

MERSEYSIDE

Please contact Phillip Brightmore at p.a.brightmore@gmail.com

MIDDLESBOROUGH

Please contact Andrew Maloney on 07757 952784 or email andrewmaloney@hotmail.co.uk for details

MILTON KEYNES

Anyone interested in helping to set up a new society, contact David Morgan on jdavidmorgan@googlemail.com

NEWHAM

Regular meetings. Contact Tahmina Rahman, Tahmina_rahman_1@hotmail.com

NORTHUMBRIA AREA

For details and booking contact Pat Hobson at pat.hobson@hotmail.com

NORTHAMPTON AREA

If you are interested in becoming a member of this new society, please contact Dave Brede on davidbrede@yahoo.com

NORTH STAFFORDSHIRE

Any Fabian interested in joining a North Staffordshire Society, please contact Richard Gorton on r.gorton748@btinternet.com

NORWICH

Society reforming. Contact Andreas Paterson – andreas@headswitch.co.uk

NOTTINGHAMSHIRE

Details from Lee Garland. secretary@nottsfabians.org.uk, www.nottsfabians.org.uk, twitter @NottsFabians

PETERBOROUGH

Meetings at 8.00 at the Ramada Hotel, Thorpe Meadows, Peterborough. Details from Brian Keegan on 01733 265769, email brian@briankeegan.demon.co.uk

PORTSMOUTH

Regular meetings. Details from Daniel Greenaway at daniel.idris.greenaway@gmail.com

READING & DISTRICT

For details of all meetings, contact Tony Skuse on 0118 978 5829 email tony@skuse.net

SHEFFIELD

Regular meetings on the 3rd Thursday of the month at The Quaker Meeting House, 10 St James St, Sheffield, S1 2EW. Details and information from Rob

Murray on 0114 255 8341 or email robertjmurray@hotmail.com

SOUTH EAST LONDON

31 July: 8.00 Natan Doron. 26 September, 8.00, Kitty Ussher. Both at 105 Court Lane, Dulwich SE21 7EE. For details, contact Duncan Bowie on 020 8693 2709 or email duncanbowie@yahoo.co.uk

SOUTH WEST LONDON

Contact Tony Eades on 0208487 9807 or toneyeades@hotmail.com

SOUTHAMPTON AREA

9 July: 7.30, Pat Evemy on 'Urban Regeneration – Does it Work?' For details of venues and all meetings, contact Eliot Horn at eliot.horn@btinternet.com

SOUTH TYNESIDE

8 July: 7.15. AGM. 20 September: Emma Lewell-Buck MP. 14 October: Shobha Srivastava on 'Problems facing Indian Students wanting to study in UK'. For information about this Society please contact Paul Freeman on 0191 5367 633 or at freemanpsmb@blueyonder.co.uk

SUFFOLK

28 July: Summer Garden Party in Bury St Edmunds. Details from John Cook on 01473 255131, email contact@ipswich-labour.org.uk

SURREY

16 July: 7.30. Hadleigh Roberts on 'Yes to Europe and Yes to EU Reform'. Regular meetings at Guildford Cathedral Education Centre Details from Robert Park on 01483 422253, robert@park.titandsl.co.uk

TONBRIDGE & TUNBRIDGE WELLS

For details of meetings contact John Champneys on 01892 523429

TYNEMOUTH

Monthly supper meetings, details from Brian Flood on 0191 258 3949

WARWICKSHIRE

18 July: 7.30. Gisela Stuart MP. All meetings 7.30 at the Friends Meeting House, 28 Regent Place, Rugby Details from Ben Ferrett on ben_ferrett@hotmail.com or <http://warwickshirefabians.blogspot.com>

WEST DURHAM

The West Durham Fabian Society welcomes new members from all areas of the North East not served by other Fabian Societies. It has a regular programme of speakers from the public, community and voluntary sectors. It meets normally on the last Saturday of alternate months at the Joiners Arms, Hunwick between 12.15 and 2.00pm – light lunch £2.00. Contact the Secretary Cllr Professor Alan Townsend, 62A Low Willington, Crook, Durham DL15 0BG, tel, 01388 746479 email Alan.Townsend@dur.ac.uk

WIMBLEDON

Please contact Andy Ray on 07944 545161 or andyray@blueyonder.co.uk

YORK

Regular meetings on 3rd or 4th Fridays at 7.45 at Jacob's Well, Off Miklegate, York. Details from Steve Burton on steve.burton688@mod.uk

Fabian News

Noticeboard

Fabian Executive Elections

Call for nominations: The Fabian Executive Committee is changing, with terms now extended to two years and a different range of posts. Closing date for nominations is Friday 16th August 2013

Nominations are now invited for:

- 10 Executive Committee places
- 3 Local Society places
- Honorary Treasurer
- Scottish Convenor
- Welsh Convenor

Election will be by postal ballot and electronic ballot of all full national members and local society members. Nominations should be in writing and individuals can nominate themselves. Local society nominations should be made by local societies. At least two of the 10 national members and one of the three local society members elected must be under the age of 31 at the AGM on 16th November 2013. There will be no more than five places for Westminster parliamentarians. Nominees should submit a statement in support of their nomination, including information about themselves, of not more than 70 words.

Nominations should be sent to: Fabian Society Elections, 61 Petty France, London, SW1H 9EU. Or they can be faxed to 020 7976 7153 or emailed to phil.mutero@fabians.org.uk. Please write the position nominated for at the top of the envelope, fax or subject line of the email. The closing date for nominations is Friday 16th August 2013

Fabian Fortune Fund

WINNER:

Robin Cherney £100

Half the income from the Fabian Fortune Fund goes to support our research programme. Forms and further information from Giles Wright, giles.wright@fabians.org.uk

Young Fabian and Fabian Women's Network Elections

Nominations are also open for the annual election to the Young Fabian executive, open to any member under the age of 31.

For full details see www.youngfabians.org.uk.

For the first time the Fabian Women's Network is also seeking nominations for its new elected executive committee.

For details and information about how to get involved, please visit www.fabianwomen.co.uk.

Deadlines for nominations for both committees are Friday 16th August 2013.

AGM

The AGM will take place on Saturday 16th November at 2pm in central London. Any full member, national or local, may submit a resolution to the AGM.

The deadline for resolutions is Friday 16th August 2013. They should be addressed to the General Secretary at the address above or emailed to phil.mutero@fabians.org.uk.

Resolutions will be circulated in the autumn issue of Fabian Review and amendments will be invited. Any amendments must be submitted five weeks before the AGM.

Please contact Phil Mutero at phil.mutero@fabians.org or phone 020 7227 4903 for more information about the above.

FABIAN QUIZ



THE BODY ECONOMIC: WHY AUSTERITY KILLS

David Stuckler and Sanjay Basu

A new book by leading political economist David Stuckler and physician Sanjay Basu reveals groundbreaking research that argues austerity is seriously bad for our health. The global financial crisis has had a seismic impact upon the wealth of nations. But to date we have had little sense of how it affects our health. In *The Body Economic*, the authors expose a number of shocking findings that demonstrate the human cost of austerity – with hard data from the Great Depression of the 1930s, to post-communist Russia and the current recessions in the UK, Europe and the US.

Penguin has kindly given us five copies to give away. To win one, answer the following question:

Who said: "Our Gross National Product ... counts air pollution and cigarette advertising, and ambulances. It counts special locks for our doors and the jails for the people who break them ... It does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials ... It measures everything, in short, except that which makes life worthwhile"?

Please email your answer and your address to: review@fabian-society.org.uk

Or send a postcard to:
Fabian Society, Fabian Quiz, 11 Dartmouth Street, London SW1H 9BN



ANSWERS MUST BE RECEIVED NO LATER THAN FRIDAY 30TH AUGUST 2013



bright ideas
beautifully presented


soapbox
the policy communications agency

Soapbox works with campaigns, think tanks and NGOs
to present policy ideas in their very best light.
In words, in graphics, and online
www.soapbox.co.uk