

Left Unity Economics Policy Commission

Draft Document for Policy Conference March 2014

Introduction – The Economic Context

The global financial crisis which erupted in 2008 triggered the worst economic slump in many economies since the early 1930s. Six years on output had still not recovered to its previous peak in much of Europe, including Britain. Debt-ridden economies within the Eurozone have been devastated by austerity packages primarily designed to ensure banks and other creditors are repaid regardless of the long-term economic and social consequences. As in the 1930s and 1980s, the mass of working people are being forced to pay the costs of a crisis for which they were not responsible whilst the wealthiest 1% continue to rake in bonuses, and stuff their bank accounts in tax havens.

The crisis was precipitated by the excesses of global financial markets but has also exposed the chronic instability and grotesque inequalities which have characterised free-market globalising capitalism since the 1970s. In Britain we are suffering from the consequences of 30 years of what is known as 'neo-liberalism' – the privatisation of publicly owned services and utilities, the deregulation of financial and other markets, the pervasive marketization of everyday life, and a sustained onslaught on the gains won by the labour movement in the period from the end of the second world war after 1945.

At the time of writing (March 2014) Britain is experiencing a recovery for the few. Average real wages (after taking into account inflation) are still at least 6% below their level in 2008 with the average worker £30 a week or £1500 a year, worse off. Cuts in public-sector jobs continue apace, disproportionately hurting women, ethnic minorities and some of the poorest regions in the country.

It is a myth that there is no money available. Private sector corporations were sitting on cash reserves of £671 billion (almost 50% of national income) in 2013, which they were unwilling to invest productively. The Bank of England has pumped many billions more into the financial markets preventing further collapse but also fuelling another round of house price inflation in London and the South-East, whilst much of the country remains trapped in stagnation or decline. Banks are reluctant to lend to any small business which actually needs the money, whilst handing out huge sums to buy-to-let landlords and property developers. Radical measures are necessary to ensure a transformation in the economic structure and a reversal of the damage inflicted over the last 30 years of attacks waged by the rich and powerful on the rest of us.

An Immediate End to Austerity and Cuts in Public Services

The Economic Policies proposed by Left Unity must necessarily need to change in focus over time whilst retaining the core principles on which the party was founded.

At this point we call for an **immediate**

1. **Reversal of the cuts in public spending** and the austerity package pushed through by the Conservative Government and an expansion of public spending in pursuit of a policy of full employment (see below)
2. **End to privatisation** of public services in health, education etc, a reversal of outsourcing at all levels and a scrapping of the so-called Private-Public Partnerships and PFI schemes (see other commissions for more detail on these proposals)
3. **Abolition of zero-hours contracts** and the use of agencies to evade European legislation on employment rights (along with all the anti-trade union legislation introduced by the Tories but retained under New Labour)

4. **Raising of the minimum wage** up to the level of a living wage linked to measures of the cost of living (with a higher rate to cover additional housing costs in London and comparable areas) and to the European decency threshold.
5. **Reversal of those changes to the tax system** which have hurt the poor (we would lower VAT to 15% as a first step) and benefited the rich (we would restore the 50% rate of tax on incomes above £75,000 received by the richest 2%) with further changes outlined below

A Strategic Vision of Structural Change and A Different Society

Left Unity, since its founding conference, is committed to the principle of production for meeting human need not primarily for profit, or 'people not profit'. We are environmentalist, feminist and socialist and all these traditions of thought have influenced the proposals below for fundamental structural change in Britain. Ultimately our vision is a society organised on completely different principles from those which govern capitalism:

6. **The principle of from each according to their ability, to each according to their needs.**
7. **An end to the short-termism** which prioritises the extraction of resources such as oil and gas despite the risk of long-term destruction of our environment.
8. **An internationalism** which recognises that in a world of global capital and finance we cannot put an end to capitalism in one country alone nor abolish Britain's reliance on exchange and trade with both Europe and the rest of the world. There need to be global solutions to global problems such as climate change.

Left Unity as a broad party contains a healthy diversity of views on how a socialist society could be attained. We are under no illusions that any such programme can be implemented without meeting resistance from the richest 1% in Britain and elsewhere, especially those elites who control transnational corporations and global finance. However what we can seek to achieve in Britain, in association with other similar left parties across Europe, are fundamental changes which

9. **Reverse the impact of 30 years of so-called neo-liberalism** (ie privatisation, deregulation, and the widening obscene inequality of wealth and income between a tiny 1% - or 0.1% of the very rich - and the vast majority of people).
10. **End the dominance of the private financial sector, and the City of London** in particular, within the economy and over Governments formed by all main political parties.
11. **Shift resources** towards those areas of the country which have suffered from decades of deindustrialisation (the closure of factories, mines, shipyards etc.) and high long-term unemployment,
12. **Would be part of a national plan for regeneration of the economy** (together with proposals from other commissions on education, health, housing etc.) which as a priority would reverse the chronic structural imbalances between the bloated financial sector and other parts of the economy, and between the wealthiest and the most deprived communities.
13. **Respond to the threat of climate change** with measures which take into account the full social costs of current policies for energy, transport and the natural environment.

We recognise the obstacles to implementing any such programme of structural reforms. The response of Labour Governments to threats of capital flight and investment strikes has always been to capitulate. However:

14. We would help to build **international networks of solidarity** to support any government introducing such measures within Europe and elsewhere.

Employment Policy

Full employment, as existed in the postwar period up until the 1970s, should be a primary objective for any left government. But we recognise that the type of jobs created and their

conditions and pay also matter. All the policies outlined here will contribute to a dramatic reduction in both unemployment and underemployment (part-time workers who seek more hours). In particular we would prioritise

15. Green Jobs: Electricity generation and transmission, transport and the heating and cooling of buildings account for 83% of greenhouse gasses emitted in Britain annually and it is vital that we adopt a twin track strategy of 'powering down' (reducing energy wastage) and 'powering up' (hugely expanding our generation capacity by developing and deploying zero carbon technologies based on wind, sun and water). This strategy would require a massive infrastructural investment and reconstruction programme prioritising the rapid development of three key sectors - energy generation and transmission, construction and transport - and the creation of hundreds of thousands of new and sustainable jobs. Such a major programme of public investment and employment would not only lead to major regeneration in other key industrial sectors, but to rapid growth in R&D in sustainable and socially useful technology and stimulate the demand for graduates from almost all areas of tertiary education and/or training.

16. Purple Jobs: The term refers to jobs in the caring sectors which are being remorselessly cut by local authorities as a result of national government reductions in their funding. We would not only reverse those cuts but significantly expand the public sector (which currently mainly employs women) ensuring that labour necessary for the society no longer faces low wages and increasingly casualised and precarious conditions of employment. These are jobs which are critical for support for disabled people, the sick and the rapidly growing numbers of older pensioners. They are also jobs in childcare which would be provided for free to all those with children below school-age. Job creation in a unionised public sector in these areas will serve to strengthen unions and collective bargaining and raise pay levels generally.

(The purpose of Purple job creation is to free women from primary caring responsibilities which have led to their concentration in part-time work, discontinuous labour, and involuntary underemployment. Ending segregation of the labour market where women are consigned to low pay and underemployment to enable them to provide caring for children, sick, disabled people and the elderly, these jobs will enable men and women to work in this sector. This is a step towards ending women's unpaid personal labour at home enabling their full participation in employment and enabling their access to education, personal development and economic independence.)

17. Creation of Vertically Integrated Cooperative Sector as part of a general national economic plan for the economy. A vertically integrated sector is one which produces all inputs and outputs from initial production to consumption goods. A workers' owned and operated sector (that is locally or regionally based) can be targeted initially to revitalise areas of the country that are suffering from severe unemployment under worker's control and management as part of a transformational project away from a capitalist competitive basis towards cooperative organisation of work. Initial start-up funds and investment will be provided by the national government at zero interest.

18. A Reduction in the Standard Working Week to 35 hours in the first instance, with further reductions over time and corresponding adjustments to the hourly living wage. For those paid less than the median wage, no loss of income will be incurred due to reduction in working hours. All additional hours over 35 are to be voluntary at overtime rates of pay, negotiated under collective agreements with trade unions.

The Banks and Finance

The financial crash of 2008 exposed the damaging consequences of deregulation of the banking sector since the 1970s – and the disastrous consequences of having the City of London operate as a global financial centre divorced from the rest of the economy. Even partial socialisation (to

cover the losses) of banks such as Lloyds and RBS has not changed how the banks operate or put an end to multi-million pound bonuses

We propose

- 19. An extension of the publicly owned banking sector to embrace all the major British owned banks, building societies and insurance companies.** New forms of governance, combining control by elected representatives of finance workers and local communities and government, would scrap the bonus culture and direct credit to the most socially desirable forms of investment. Compensation in the form of fixed-interest government bonds could be provided, eg to pension funds, depending on the results of an audit of shareholders.
- 20. A tax on financial transactions** (sometimes known as a Robin Hood tax) which across the EU would both raise revenue and significantly reduce the scale of speculative cross-border financial flows.
- 21. Tighter regulation over all forms of financial activity**, especially capital controls on cross-border movement of funds by institutional investors, hedge funds etc, although these would be difficult to implement in Britain alone and we should seek effective European-wide (if not global) regulation where possible.
- 22. Reform of pension funds**, many of which are currently in the control of fund managers or investment banks who are responsible for the allocation of funds currently worth over £1 trillion with no democratic accountability.
- 23. Measures to assist and protect from eviction** those households trapped by debts or with mortgages they are unable to repay

Other Forms of Public Ownership and Cooperatives

Left Unity also proposes

- 24. The return to public ownership of all the essential public utilities** (with the same rule for compensation as for the banks), such as electricity, gas, rail and bus transport, and water, which were privatised over the last 30 years. The private companies have raised prices faster than inflation, made huge profits and still neglected investment in essential infrastructure.
- 25. We also propose the public ownership of other essential services**, including the giant supermarket companies, which dominate the retail trade and much of the agricultural and food industry in this country.

We recognise, however, that state ownership alone does not suffice.

- 26. New forms of governance** are necessary involving democratic elections of both worker and community representatives. That also applies to existing public services such as the NHS and Educational institutions.
- 27. There should be a cap on the highest rates of pay** for managers across the public sector, set no higher than three times the average wage in the sector.
- 28. It is also essential to support and extend existing forms of cooperative and mutual ownership**, whilst preventing the violation of those principles evident in the mismanagement of the Cooperative bank. We will oppose and campaign against the de-mutualisation of existing building societies and other cooperatives. We would ensure that financial institutions under public ownership gave priority to lending to worker, consumer and housing cooperatives, as part of the broader strategic priorities outlined above under employment policy.

Taxation policy

When the Coalition came to power, it made it clear that the reducing Britain's budget deficit would be primarily achieved through public spending cuts rather than tax increases. The result has been the

most vulnerable sections of society pushed ever deeper into poverty. What tax rises we have seen such as VAT have largely been regressive measures, hitting poorest households hardest. Meanwhile, the government has given away billions to the richest individuals and biggest corporations through tax cuts, while failing to stop billions more being siphoned off to tax havens. Richard Murphy of Tax Research estimates the tax gap at £123 billion a year.

29. We need tax policies to offset the cost of reversing the spending cuts in the immediate term, while in the longer-term realigning the British tax system into a progressive framework that substantially reduces inequality, protects the poor and ensures the rich pay a much higher share.

Left Unity will therefore:

30. Work to stamp out tax evasion and avoidance, drawing on the wealth of research by the Tax Justice Network. A Left Unity government would implement unilateral measures at home to shore up its domestic tax base, including a general anti-avoidance principle, strengthening HMRC, creating strong barriers to protect tax policy making and administration from political and corporate interference, controlled foreign company reform and aligning capital gains tax with income tax. It will work with governments around the world to promote financial transparency and prevent tax avoidance by pushing for country-by-country reporting, unitary taxation and automatic information exchange. It will crack down on the UK's network of tax haven Crown Dependencies and Overseas Territories which lie at the heart of the global tax avoidance industry.

31. Immediately cut VAT to the EU minimum of 15% (and abolish it for basic necessities) and remove the VAT exemption for financial services. Our long-term goal is to abolish VAT entirely.

32. Reverse the corporate tax cuts, raising rates back to 40% for large companies, while reducing taxes for small businesses to compensate them for the mandatory living wage. As a matter of principle, Left Unity subscribes to international tax cooperation and building a framework of rules and conventions to inhibit tax wars and beggar-my-neighbour tax policies. We will work with other governments to push for higher corporate taxation rates globally.

33. Bring back the 50% tax rate and apply it to people earning over £75,000. We would introduce an 80% for all earnings 10 times above the median wage. We will work to lift all those earning below £20,000 a year out of tax entirely.

34. Introduce an inheritance tax rising to 90% on all wealth and assets 100 times the median average level, along with a wealth tax of 10% on wealth more than 10 times the median.

35. Investigate alternatives to council tax including a mansion tax for homes over £2 million and a local income tax, and introduce a **land value tax** collected centrally and redistributed to local authorities according to need.

On Trade and the European Union

36. Given that over 50% of Britain's trade is with the rest of the EU **we do not propose a withdrawal from the Single Market**, or 'protectionism' against imports, whilst recognising that some of what we propose (such as capital controls) will be in breach of Single Market rules on the free movement of capital.

37. We are opposed to Britain joining the single currency as currently constituted with an unaccountable European Central Bank which has helped impose austerity measures on countries such as Greece, Ireland and Portugal.

38. **We also oppose the provisions of the proposed Transatlantic Trade and Investment Partnership** between the EU and the USA which threaten to impose further privatisation of public services and weaker forms of environmental regulation.

39. We are for joining with others across Europe to campaign for **a different form of European Union**, a '**socialist reconstruction**', as called for by the 4th Congress of the European Left Party.

For Further Debate: There are a number of proposals for a different type of economy based on democratic and socialist principles which we believe deserve further debate in the wider movement. However:

40. The Economic Policy Commission considers that under capitalism (but not necessarily in a fully socialist society) the various competing versions of a Citizen's Income will in practice promote the neo-liberal agenda of reducing the welfare state and leave the most disadvantaged people in society worse off. Our alternative is to promote full employment as outlined in the document and the principle of from each according to their ability, to each according to their needs.