

LRC Policy: Programme for a Real Labour Government

Introduction

5 Last year's policy document "Target Labour Government" provided the basis for debate at the 2004 LRC Founding Conference. This revised paper will be presented to the 2nd LRC Conference and AGM and circulated within the labour and trade union movement.

10 This 'Programme for a Real Labour Government' is part of a rolling programme showing what needs to be done and what could be achieved. It also demonstrates the vision that the Labour Party will need between now and the next general election if it to remain in power.

15 It especially important that the labour movement meets to debate new progressive policies at this time because there is a vacuum in politics: people yearn for a better world.

20 The LRC National Committee commends this document as the basis for that debate.

*LRC National Committee
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25 The Economy

Economic policy is central to any Government's domestic and international programme. It defines competing visions of how society should be organised, for what ends, and in whose interests. A democratic socialist party, Labour stands for a strong, sustainable economy: one run democratically by and for the many not the few, providing a sound basis for delivering high-quality public services, its outlook inspired by the Labour movement's internationalist traditions.

35 A succession of Labour governments stretching back to 1945 brought huge strides forward in economic prosperity. But many of those achievements were eroded by the right-wing economic orthodoxy of the Thatcher years. The country's industrial base was systematically vandalised, replacing a highly-skilled, high-earning and highly organised workforce with short-term, casualised labour in a tertiary economy of consultancy, call centres and financial services. Public services were cut to the bone. Billions of pounds worth of public assets were sold off to the private sector at knock-down prices, robbing the community of what little control it had over major sectors of the economy. By the mid-1990s poverty was on the increase and Britain had become a profoundly unequal society. Much the same right-wing agenda took hold in international economics, entrenching enormous inequalities between as well as within nations.

45 Labour was swept to power in 1997 in the expectation that it would repair the damage and move on. New Labour *has* achieved important reforms since 1997, among them the national minimum wage, measures to reduce child poverty, greater investment in the NHS, and abolition of the reviled Railtrack. But on all the fundamental elements of economic policy, New Labour has adhered to the old Tory model. Shockingly, New Labour has taken some of the Tories' strategies even further. In the process it has undermined even its own modest reforms. Continuing privatisation, for example, means that higher spending on public services has been increasingly diverted into the pockets of private shareholders. Meanwhile the already wide income and wealth gap between rich and poor has grown steadily since 1997,

blunting the impact of measures like the minimum wage, and heightening the pressure on the NHS as economic inequalities take their toll on public health.

5 This paper sets out a radical economic agenda for a Labour Government in a UK, European and global context. It makes a commitment to creating economic structures that tackle poverty and inequality in the UK and internationally, enable
10 decent incomes, homes and quality of life to be enjoyed by all, that guarantee sustained excellence in public services, and that raise standards of skills and education throughout society. The Annex contains a fuller explanation of the thinking behind the programme.

Tackling Poverty And Inequality

15 A Labour Government will adopt integrated industrial, consumer and social security policies designed to lift communities out of poverty, encourage wealth creation at the grass roots, and maintain incomes at levels that guarantee a market for goods and services.

A Labour Government would:

- 20 • Invest heavily in high-skills, high-wage industries, especially in regions devastated by the economic vandalism of the Tory years
- Adopt policies on investment, public procurement, regeneration and skills training that favour the establishment of Small and Medium-Sized Enterprises (SMEs) in areas of deprivation
- 25 • Phase out Working Families' Tax Credit, which gives employers a disincentive to pay anything above the bare minimum, and move towards replacement of means-tested benefits generally with universal entitlement
- Tackle debt among the poorest by establishing loan and savings banks, working alongside credit unions and other mutual aid schemes to rid estates of loan sharks and companies charging extortionate rates for "non status" credit
- 30 • Guarantee decent, affordable housing in the public and private sectors by promoting local authority housing, legislating for security of tenure and affordable rents, and bringing property price inflation to stable levels.

35 Achieving The Best In Public Services

The Public Services section of this document sets out the detailed commitment a radical Labour Government will make to bring public services swiftly up to the highest standards of continental Europe and Scandinavia. Our economic policies will be geared to accelerating the repair the damage done by years of Tory neglect and the failed experiment of privatisation. A Labour Government would:

- 40 • Reverse privatisation and rebuild public services from the bottom up, ensuring the public sector acts as a model of democracy, local accountability, best employment practice, professionalism and commitment
- 45 • Compensate modestly but fairly for the move to democratic public ownership by counting the original under-valuation, plus subsidies paid during privatisation, as a public stake. We will not pay out for speculative gains, but will protect the interests of small investors and pension funds by converting equity into fixed-interest bonds
- 50 • Stop the run-down of Civil Service manpower and pension rights. We will guarantee workplace rights throughout the national and local public sector, ensure pay catches up with private sector equivalents, protect collective bargaining rights and stamp out institutional forms of discrimination

Jobs, Investment And Ownership

A Labour Government will make investment in real wealth creation a centrepiece of its economic strategy. We will seek a sensible balance between industrial and service sectors, and with it a fair spread of employment, skills and rewards. We will create conditions favourable to economic prosperity, and will strengthen trade union rights so workers can bargain up pay and conditions and ensure the community has purchasing power. Where private capital cannot or will not commit the investment needed, or meet the community's expectations on pay, job security and corporate democracy, we will use public ownership to release the necessary resources.

A Labour Government would:

- Ensure interest rates remain favourable to jobs and investment by making the Bank of England internally democratic and externally accountable to Parliament
- Establish a national investment bank to back, and take a stake in, startup and growing companies in key sectors and regions
- Remove the stranglehold of complex monopolies like the supermarkets over small producers and suppliers by reforming competition law and promoting co-operatives and public trusts to bring goods to consumers cheaply and sustainably
- Reform company law to ensure that undertakings with an annual turnover of £50m operate on democratic lines, with decision-making power extended beyond investors to a range of stakeholders including employees and consumers
- Conduct an economic and democratic audit of the major sectors of economic activity and take a controlling stake in key companies.

Labour will also extend democratic ownership to areas of the economy currently in private hands, seeking to achieve a fair balance between public and private sectors. As in the case of the privatised services, we will compensate fairly but modestly, converting equity into bonds and making payments over a reasonable period. We will conduct an economic and democratic audit of the major areas of economic activity, with a view to taking a controlling stake in companies where doing so would be self-financing (ie. income would equal or exceed costs) over a 5-year term and where it would:

- Enable the community to plan for sustainable growth
- Help establish fair trading relationships between producers and the public and private sectors as consumers
- Provide new opportunities for business, especially SMEs, to succeed in the sector
- Guarantee the exchequer long-term income to offset taxation and borrowing as a source of funding for Labour's social programme
- Secure democratic control over activities of strategic importance
- Spur the adoption of best employment and trading practices throughout the sector, or
- Prevent large corporations from using their muscle to undermine the elected Government's economic strategy

We will insist on the highest standards of democracy and transparency for publicly-owned enterprises. A majority of members of the controlling board will be elected representatives of stakeholder groups -- the users and consumers of the organisation, its workforce, and its suppliers. Democratic structures will extend down to local level, responding to the needs and views of communities.

Taxation And Public Finance

Socialists support fair taxation. But much of the current debate on rates of tax misses the point. Taxation is just one of several methods for funding a programme of strategic investment and improvements to public services.

5 Borrowing to fund capital investment is non-inflationary and should be allowed at an appropriately high proportion of GDP. More importantly, extension of public ownership will produce an income stream to offset against both borrowing and taxation. The proportion of revenue raised from taxation will continue to fall as public investment continues to repay itself.

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A Labour Government will meanwhile radically restructure the tax system, ensuring that direct and indirect taxation work fairly and replacing regressive taxes with new measures. We will:

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- Shift the burden of taxation away from those who can least afford it by reducing the lowest rates of income and corporation tax and raising rates on the top slices of income and profit:

- The starting rate of income tax will fall from 10% to 5%.

- New higher rates of income tax will apply at 50% on income between £60,000 and £100,000 and 60% on incomes above £100,000

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- The “small companies” rate of corporation tax will fall from 19% to 10% on profits between £10,000 and £25,000

- New “large companies” rates of corporation tax will apply at 50% on profits between £2.5m and £5m and 60% on profits above £5m

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- Over the lifetime of a Parliament, introduce a system of annual Land Value Taxation (LVT). LVT will be calculated as a modest percentage of the annual actual or notional rental value of each piece of land assuming its optimum permitted use.

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- Use LVT to replace Council Tax, non-domestic rates and revenue support grant as the principal source of local government revenue, freeing central government revenue for other purposes. LVT will also enable abolition of regressive forms of land taxation such as stamp duty, and will form the basis of exceptional levies to fund major local investment and infrastructure projects.

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- Reform indirect taxation, taking a selective approach to VAT rates to reduce the pressure on lower income earners.

Tax loopholes disproportionately benefit the wealthiest taxpayers at the expense of the majority. To redress the balance a Labour Government would:

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- Introduce a General anti-avoidance rule into UK law to overturn the Duke of Westminster ruling of 1936 and counteract the aggressive tax avoidance strategies of multinational companies.

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- Require all British Overseas Territories and Crown Dependencies to introduce automatic information exchange arrangements with other jurisdictions to help combat tax evasion. These arrangements will relate to all bank accounts operated by and on behalf of individuals, corporations and trusts.

- Abolish the rules on domicile that enable wealthy British residents to avoid paying tax on their worldwide income.

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- Introduce, under the auspices of the Accounting Standards Board, a tax transparency obligation in multinationals’ annual accounts, requiring companies to reveal how much profit is derived from each country in which they trade, where those profits are booked for tax purposes, and what use is made of special purpose vehicles and other tax planning devices.

Europe

As explained later in this document (“Towards a Democratic Europe”), current EU law and policy – including the rules governing the Euro – reflect the economic dogma of the right. They form a major barrier to the implementation of radical change in individual member states. A Labour Government’s economic programme will take a scrupulously internationalist approach to the EU, promoting its role as guardian of high standards of employment protection and equal opportunities, while working with like-minded Governments to overcome the economic and political obstacles it creates.

The World Economy: Globalism –V- Internationalism

The huge imbalance between the richest and poorest nations is one of capitalism’s most shameful consequences. The globalisation agenda of tied aid and privatisation has ensnared the governments of developing nations in a web of agreements and institutions that entrench debt and poverty at home and favour the wealthy and powerful abroad. New Labour has admirable aims on international development. But, its economic and trade policies aligned with the right-wing status quo, it has been unable to deliver.

An internationalist Labour Government will acknowledge that economic policy is set on a global stage. We will work to establish a fair and sustainable system of global trade, operating in the mutual interests of workers in the developed and developing nations, enforcing effective international standards of employment protection, environmental regulation and democratic corporate governance.

A Labour Government would:

- Make UK aid work to encourage observance of civil liberties, environmental standards and employment rights
- Progressively withdraw the UK from the international arms trade, shifting jobs and investment from the domestic arms industry to socially useful production
- Amend the law to prevent investment funds from subsidising the exploitative practices of multinationals
- Strengthen the reporting obligations of UK-based multinationals, extending those obligations to environmental and social aspects of overseas activities
- Require firms seeking export credit guarantees to give undertakings against environmental and employment abuses and corrupt practices
- Legislate to enable corrupt activity and environmental crime committed overseas to be prosecuted in the UK
- Bring the Government’s international trade activities within the remit of the House of Commons Trade and Industry Select Committee

Labour will also work bilaterally and in international organisations to change international economic rules. In particular we will:

- Promote “food security” policies that allow countries to protect domestic agriculture from dumping and predatory pricing by multinationals
- Encourage the development of local and regional systems of food distribution that reduce the cost and pollution associated with transport
- Press for funding structures that redistribute revenue from destructive activities to development programmes. UN and World Bank aid and development schemes should be funded by a Tobin tax on speculative movements of capital and an international tax on aviation fuel (as the first in a series of global eco-taxes)
- Define water as the essential natural resource of the 21st century, pressing to bring it into common ownership and outside the scope of GATS/WTO

- Ensure MEPs have proper control over the EC Commission's international trade policies and agreements

Public Services

5 In 1997 the Labour Government swept to power with a landslide majority because the majority of the British people wanted a radical change. Thatcherite free market economic policies had rolled back the gains made under successive Labour Governments since 1945, eroding and destroying public services and widening the gap between rich and poor. Many of our public services had been privatised under 10 the Tories, and billions of pounds worth of public assets sold off to the private sector at knock down prices.

15 Instead of seizing the mandate which it had been given by the people to repair the damage done by eighteen years of Tory government, New Labour took many of the Tories' strategies even further, pushing ahead with new forms of privatization – either blatantly, as in the Private Public Partnership of the London Underground – or piecemeal where wholesale privatisation would be politically unacceptable, particularly in Housing, Health, and Education. Continuing with privatisation has 20 meant that higher spending on public services has been increasingly diverted into the pockets of private shareholders.

25 Meanwhile, the already wide income and wealth gap between rich and poor has grown steadily since 1997, blunting the impact of measures like the minimum wage, and increasing pressure on the NHS as economic inequalities take their toll on public health. None of this makes economic sense, because in almost every case the building of new schools, hospital and houses could be done more cheaply by the public sector, therefore New Labour's strategy must be ideologically driven and, by pouring public money into the pockets of private shareholders, designed to 30 undermine democratic control and reduce the role of the state to that of enabler and regulator, with the private sector increasingly becoming the provider.

35 A radical Labour Government will accelerate the repair of years of Tory neglect. We will aim over a five year period to bring public services up to the highest standards of continental Europe and Scandinavia, rebuilding public services from the bottom up, ensuring the public sector acts as a model of democracy, local accountability, best employment practice, professionalism and commitment. A Labour Government must make a commitment that public services should be delivered wholly in the public sector, provided as an end in themselves, not for profit. 40

Specifically, a Labour Government should:

- Implement a truly integrated public transport network, bringing the rail industry under democratic public ownership, enabling major investment over the lifetime of a Labour Government in electrification of main lines, 45 re-opening and expansion of rural services, new urban tram and light rail schemes, and the long awaited London projects, including Crossrail and a new Chelsea-Hackney tube line.
- Guarantee decent, affordable housing in the public and private sectors by promoting local authority housing, legislating for security of tenure and affordable rents, and bringing property price inflation under control. 50
- End the postcode lottery in health, education and other services, replacing NHS and Foundation Trusts with representative local management boards.

- Increase the share of NHS expenditure going on patient care by extending public ownership into the pharmaceutical and medical research sectors and reforming intellectual property law to enshrine a right to manufacture generic medication for public use.
- 5 • Reverse Post Office closures and reinstate a public sector monopoly for postal services under a democratically run Post Office, accountable to its users and workforce.
- Replace the complicated privatised energy and utilities markets with simple public and mutual ownership structures, favouring renewable sources of energy and reducing waste while enabling local communities to make choices and ensuring fuel rights for those in need.
- 10 • Reverse privatisation in other sectors including telecommunications, National Air Traffic Control and the Prison Service.

15 Local Government

The New Labour Government, instead of reversing Tory Government legislation, particularly the 1989 Local Government & Housing Act which radically changed the system of local government financing so as to reduce the control that councils had over what to spend their budgets on (for example the ring fencing of Housing Revenue Account) has continued to erode local democracy at every turn.

25 The Local Government Act 2000 abolished the Council Committee system—which despite some weaknesses did provide for accountability and democratic control—and gave councils only two alternative structures to adopt: either a Mayoral System, as in the Greater London Authority, where the directly elected mayor has enormous power, subject to only minimal control; or a Cabinet system under which the Leader runs the Council with up to 10 other councillors who wield enormous power, while the majority of

30 councillors are consigned to Overview and Scrutiny Committees which supposedly hold the Cabinet to account, but often don't meet more than twice yearly, therefore are toothless tigers.

35 Similarly, the Area Committees, which are meant to be forums for local consultation, have their decisions regularly ignored if the Executive does not approve of them. Councillors who are members of the executive now pay themselves five figure salaries, while backbenchers are paid only minor salaries to do a lot of work. This system distorts the motives of those wishing to become councillors and increases the potential for political corruption.

40 Councillors should be paid expenses only, commensurate with loss of earnings.

45 The New Labour Government has continued with the Tory policies of Rate Capping, the central collection and distribution of Business Rates, compelling councils to outsource their services via PFI and PPP schemes, which can be up to 50% more expensive than traditional borrowing on the open market, or the setting up of “arms length companies” which pave the way for privatisation.

50 A Labour Government would:

- Work to rebuild the infrastructure of Local Government.
- Allow local people the choice as to how their local council is run, whether by a council committee or some other system.