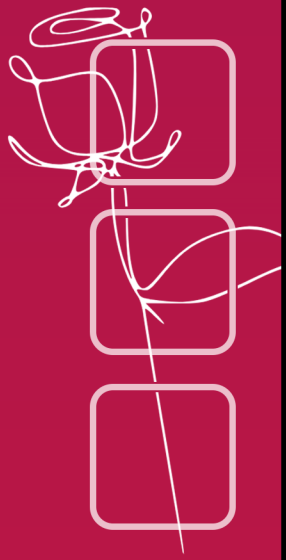
THE CHANGE WE NEED:

HOW A STARMER GOVERNMENT CAN TRANSFORM BRITAIN

Edited by Clive Efford MP & Liam Byrne MP



LABOUR
TRIBUNE MPS
LABOUR PARTY CONFERENCE 2022

ABOUT THE TRIBUNE GROUP OF MPs

The Tribune group has a long and proud history as a voice in the Parliamentary Labour Party.

We want to build on that heritage by initiating policy discussions and engaging with the wider Labour movement right across the UK. By working with individuals and organisations that share our values and common goals, we will develop ideas and policy to shape future debate.

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ABOUT THE CONTRIBUTORS

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Clive Efford MP is Chair of the Tribune Group of Labour MPs.

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Kate Pickett is a social epidemiologist, co-author of 'The Spirit Level' and 'The Inner Level' and co-founder of The Equality Trust.

Jessica Prendergrast left Westminster for West Somerset

more than a decade ago, trading social research for social entrepreneurship. She has since co-founded several successful community and cultural social enterprises.

Will Snell is Chief Executive of the Fairness Foundation. In 2017 he set up Tax Justice UK, a sister organisation of the Tax Justice Network (TJN), before joining TJN as Director of Operations.

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INTRODUCTION

CLIVE EFFORD MP

The Tribune Group of Labour MPs has held a series of discussions over the last year in order to give members of the Parliamentary Labour Party a space to discuss the issues that a future Labour government will need to confront; and to consider the challenges that our party faces in convincing people that we can deliver the radical solutions needed.

It is clear that, on every front since 2010, the Tories have consistently failed to act in the interests of the vast majority of people. They have stood by as inequality has increased and as the richest among us have vastly increased their share of national income. Everything from the health outcomes of the Covid-19 pandemic to recent exam results has shone a light on the increasingly disparate outcomes between rich and poor communities.

This growing inequality is underlined by falling living standards. Average real terms household incomes are at a fifty-year low due to a decade of consistent low growth. The Resolution Foundation's recent 'Stagnation Nation' report shows that, in each decade from the 70s, real wages rose by an average of 33% up until 2007. Since the Tories took power, we have had consistent low growth which has fed directly into flatlining wages and sluggish income growth, with real wages falling to below zero in the 2010s. Today, average household incomes are 16% lower in the UK than in Germany, and 9% lower than in France – having

been higher than both in 2007. Workers have experienced a decade of financial pressure even before Brexit, the astronomical fuel price hikes, and the cost-of-living crisis.

Our public services have suffered an unrelenting barrage of cuts since 2010, leaving vital services in chaos. Per pupil funding in our schools has had real terms cut of 9%[1], police numbers were cut by 23,000[2], and our courts are overwhelmed. Local authorities were forced to spend billions to keep vital services going through Covid on top of ten years of austerity cuts. We went into Covid with record numbers on NHS waiting lists, with figures now estimating that over 6.8 million are awaiting hospital appointments[3]. According to the Nuffield Trust, our NHS is short of 12,000 doctors, 50,000 nurses and midwives; and will need over half a million more NHS and care workers by 2030[4].

Most disturbing of all is that the long-predicted effects of climate change have truly arrived. This year alone, China experienced the most severe heatwave in recorded global history, while up to one third of Pakistan was submerged underwater as the country experienced its worst-ever floods. In the UK, major infrastructure ground to a halt as temperatures climbed to a record peak of 40.3°C. Despite these planetary alarm bells, there is no strategy from the Conservatives that would begin to deliver climate security for this generation and the next.

1 School spending in England: trends over time and future outlook | Institute for Fiscal Studies (ifs.org.uk)
2 Shock figures reveal 23,500 police staff cut under the Tories | GMB
3 NHS Key Statistics: England, June 2022 - House of Commons Library (parliament.uk)
4 Chart of the week: Staff vacancies and shortfalls in the NHS | The Nuffield Trust

If we are to tackle inequality, treat people with fairness, and create a sustainable economy with a well-educated, highly-skilled population fit for the future, then businesses must play their part. We have had 12 years of deregulation and laissez-faire.

The Tories have cut back the state, claiming that it was stifling opportunities for wealth creators, but what they delivered is the longest period of low growth in peacetime[5]. Businesses must be free to make their own decisions, but they must do so in a way that is in the interests of the common good. It can no longer be acceptable for companies to pay poverty wages, dodge paying taxes, or ravage the environment while claiming they are merely serving their shareholders. We must build towards a private sector that works as part of our wider community, not one that is siloed off from the rest of society.

Perhaps what best gives physical form to the last 12 years of Tory deregulation, laissez-faire, and lack of care for our environment are the images of raw sewage pouring out into coastal waters at many of our most popular seaside resorts at the height of summer, while water company shareholders and executives are paid huge dividends and bonuses as the nation struggles with a cost-of-living crisis.

It does not have to be like this.

Through our discussions over the last year, we identified three overriding and interlocking themes from which we believe all key issues and policy solutions flow: Active Government, Climate Security, and Strong Communities.

Over the past year, we have been lucky to be able to call upon a number of specialists from a wide range of expertise in social and economic policy. They shared our concerns, but more significantly, were eager to share their opinions on how to deal with them. Like us, they also wanted to create a space where their ideas could be debated. When we asked if they would contribute to this document to stimulate the debates, they were only too willing to do so. No one declined our invitation. Those that could not meet the deadline for our conference publication promised to contribute at a later date as we take our discussions around the regions.

We asked our contributors to consider framing their contributions around the three themes we had identified, but of course, they are free to roam where their thoughts take them. We are grateful to all the contributors for giving their time to help us produce this document.

You will find in these texts that there is a desire to tackle inequality and unfairness, to invest in our vital public services, and to create an economy where success is measured not just in growth and profit, but in how it cares for the wellbeing of the people it serves. In short, a government that is actively working in the common good to secure strong communities, and to tackle climate change by enhancing the opportunities it creates.

5 GDP and events in history: how the COVID-19 pandemic shocked the UK economy - Office for National Statistics (ons.gov.uk)

These articles are not a manifesto, nor are they a set of policy positions of the Tribune Group of Labour MPs. They are the freely expressed views of the contributors. Our intention in publishing them is to create a space where radical solutions can be discussed.

We hope that members of our Labour movement will take the ideas in these articles back to their local branches for discussion, and perhaps feed their own ideas into the party policy process. Ultimately, we hope it will help shape our Party's thinking as we formulate our policies for the next election, and we invite you to play a part.

NEW TIMES, NEW PROJECT

After the Tired Tory Years, Keir Starmer Has the Opportunity to Transform Britain.

RT HON. LIAM BYRNE MP

The tide of ideas has turned. The tedious, lacklustre Tory leadership battle revealed one simple elemental truth: the intellectual energy is now with the Left. But as we know all too well, we're not out to win an argument. We have to win an election. So it's urgent now for Labour to transform our energy into ideas and our proposals into a project for power that will transform our country under our new King Charles III.

And that demands we understand what has changed since we lost office. Because unless we must grasp the sheer scale of the forces now re-shaping the country we aspire to govern, we won't unite the coalition we need to win office or explain the big shifts we need to helm in office. Together these are the dimensions of a new project.

The Three Divides

Keir Starmer cannot and will not simply press the rewind button. He can't and won't because since 1997, three big new contradictions have emerged to divide our old coalition and the country.

1. The globalisation project driven by tech and trade that both New Democrats and new Labour championed

- from NAFTA, to doubling the size of the EU, to China's admission to the WTO - helped foster economic growth, lower debt, lower consumer prices and helped generate the tax revenues that rebuilt schools and hospitals. It also helped lift a billion people out of poverty. But the gains of trade weren't fairly shared, not least because new Technopolies emerged to dominate the commanding heights of the global economy, creating places left behind and a geography of discontent.

2. An era of easy money, low interest rates and massive quantitive easing combined with highly deregulated labour markets and a failure to build enough homes has created a huge new inequality of wealth, between the secure - who went to university and/or owned homes and pensions - and a new 'precariat', vulnerable to the shifts of automation which may wipe out four-five times more jobs than the shutdown of the coal and steel industry out together.

3. The revolution in higher education created huge new divides in culture and outlook between predominantly younger graduates who often moved to cluster in cities, and older, non-graduates who tended to stay put, creating both generational divides, culture wars and a gap between cities and towns.

These changes have divided the country between what Prof Jane Green calls the haves, will haves and won't haves. Some people

and some places have done well. But many have not. And that is why we have to now build a new consensus around levelling up one and all; creating a new equality of freedom and security which has been destroyed by the Tories.

But first we have to win an election. And these changes split apart Labour's old coalition. Our vote is now 'inefficiently distributed' throughout the UK constituencies unlike the Tories who've have built a coalition amongst older, economically secure voters buttressed by low interest rates (which were good for older home-owners) and a huge £48 billion transfer into 'tripled-locked' pensions. This political economy of winners and losers was glued together by consumption-driven growth general, powered by consumption amongst older people.

Yet things are changing. The Tories have no clear direction to 'deliver Brexit', their mantra of 'Levelling Up' is hobbled by a split between the tax-cutting revanchist Thatcherites, the 'Red Wallers' who want big investment and those demanding we begin fiscal consolidation.

That divide is under even greater pressure as the Tories struggle to protect people from high inflation and a cost of living crisis, while public services buckle under pressure of new challenges from Covid backlog in the NHS to the rapidly changing nature of crime to the need to boost our defences. And so lost for direction, the Tories pick fights with our neighbours when we need alliances for security and trade and like all populists, they trade on the politics of divide and rule not the common good. So

they govern with gimmicks while our institutions come apart and we systemically fail to mobilise the investment needed to improve the productivity on which our standard of living depends. The Foreign Office couldn't manage the evacuation of Afghanistan. The Treasury has lost billions to fraud. The Home Office can't manage the small boats crisis. And the less said about Number 10, the better.

This combination of chaos and the cost of living crisis has holed the Tories as millions of economically insecure voters now switch to Labour. But to 'seal the deal' with voters, Labour must set out a project that delivers freedom and security for new and more dangerous times.

This project has to take account of the 'three races' that will reshape the planet in the decade to come:

- The global race for leadership between the US and it's allies, and China which will trigger a degree of deglobalisation, depress the rate of global growth and trade - and spark an arms race that already consumes $2 trillion a year, the highest figure in history. This race will unfold amidst the chaos created by pariah states like Russia, North Korea and Iran which will seek to embroil anarchy, aiming to disrupt and divide their opponents, along with a debt and food crisis that will trigger an explosion of fragility amongst poorer states in the developing world along with higher migration while organised, economic and cyber crime continues to multiply.

- The 'science race' will become a sprint as both East and West seek to decouple from each other in the tech space, craft a new strategic autonomy and enhance their own technology edge by pouring huge new investments into industrial subsidies, from chips to AI. And in this race, we risk being left behind, shut out both EU's Horizon programme and a US trade deal that won't advance until we provide a 'durable way forward' on the Northern Ireland border.

- And of course, third, looming above the rest like the spectre at the feast is a 'race against time' as we shoot for net zero before extreme weather kills ever more of our neighbours.

These are seminal shifts. And so if progressives want to provide freedom and security for new times - just as Franklin Roosevelt and Clement Attlee did once before, we have to tackle four challenges:

- **Political:** we have to reclaim the core values of freedom and security and a reputation for economic management and unite a splintered coalition with a economic and cultural offer which resonates not only with the UK but England. The core of this coalition are the economically insecure working age non-graduates plus graduates.

- **Economic:** We have to shift up the trend rate of

growth by tackling endemic low productivity and put both economy and society on path to net zero carbon emissions. Ultimately we can't increase the pace of social mobility unless we create a bigger supply of knowledge intensive jobs (across the economy).

• **Distributional:** Labour's new political economy has to tackle the new extraordinary divides of wealth - in housing capital, human capital, pension capital, social capital - and rebuild social security for today's labour market and aging society with an philosophy of active government that delivers universal child care, social care and health services shifted into prevention, personalised lifelong learning in part financed by the modernisation of the tax base to restore fairness with a tax code that reflects our moral code and the basic ideal that those lucky enough to do best, share more especially on their harvest from wealth.

• **Global:** we have to generate new alliances as the world divides, with stronger links to global science powers, investment in rebuilding NATO capabilities, supporting the new emerging security architecture in the Indo-Pacific, in space, in the Artic, in the field of Artifical Intelligence and reboot our 'offer' to the developing world, much of which, in Africa and Eurasia, abstained on the UN vote condemning Russia's invasion of the Ukraine. At the core of this offer has to be better use of the Bretton Woods institutions to help tackle the food and debt crisis but nor can we ignore the crucial future challenge of building digital infrastructure.

Our solutions for this are very different to the Tories, who ultimately will always want to defund and roll back the institutions of our national life, leave everything to the market, allow the rich to cheat their taxes and divide and rule communities in order to stay in power. So this Tribune pamphlet spells out the divide between a tired Tory agenda of the past, and the new possibilities of tomorrow.

Let's start with growth, where the Tories have created a low growth, consumer driven economy, fuelled by huge income transfers to older voters and high levels of personal debt for younger working families, struggling to make ends meet. After delivering what my friend Clive Efford calls a dog's Brexit, the Tories admit they've failed. Kemi Badenoch confessed to the Times that 'We have failed to capitalise on that election winning majority of 2019' while Tom Tugendhat declares 'The full advantages of Brexit are yet to be unleashed'.

Yet it's very clear the Tories still believe they can cut their way to growth. Almost all the leadership candidates argued the answer was either more tax cuts or more austerity or both.

None of them have anything to say about fair taxes: like cutting small business rates, raising taxes on digital giants to level the economic playing field or taxing capital income at the same rate as income tax as Arun Advani and Andy Summers propose.

None really mentioned science, industrial policy, manufacturing or Climate Change - apart from Suella Braverman, the new Home Secretary, who appears to want to exit the Paris Climate Agreement. As a result, none of them plan to match Labour's plan to invest £28 billion a year in the race to net zero carbon emissions.

We know we need a very different model of growth which entails re-building and building new institutions, and stronger institutions at the level of nations, metro-areas and local councils.

This is now the divide: between a Labour offer to boost growth with a smart supply side strategy to mobilise innovation, rebuild what Marianna Mazzucato calls mission-driven institutions to help helm the transition to net zero. To this we must rewrite the rules of our economic institutions as Will Hutton explains, to help reconnect economic and productivity growth with wage growth through more purpose-driven companies. And as Steve Turner explains in detail, we must capitalise on the opportunity to 'make our green future' by seizing the opportunities before our eyes to become a global centre of clean, green manufacturing; a Green workshop of the world.

That must be backed by a fiscal policy that works for working families, as Jagjit Chadha explains, with transformed levels of public investment in physical, digital, human capital and NHS infrastructure. We need to stop resting on the Bank of England for growth and develop a fiscal policy that revolutionises productivity.

The choice is simple: between the Tories plan for slow growth versus a Labour plan for fast growth through climate security. Our Labour case is clear: an active state investing more in climate security helps us deliver faster growth, reindustrialisation and helps boost the self employed, especially if we back it back it with English devolution of industrial policy, high not low infrastructure and science investment, and tax cuts for small businesses delivered by abolishing business rates.

Active Government

The second big divide is on the role of government: between our approach of Active Government and the Tories philosophy of Austerity; an approach of shades that vary between 'you're on your own' to 'leave it to the market'.

Yet an active state is the only way to tackle climate change, turn the climate crisis into climate opportunity - and open those new opportunities to all. The active state helps us all work together. We believe in that because Labour is a 'we party'. Unlike the Tories who are a me, me, me party.

How does that play out in policy? Kate Pickett, Richard Wilkinson, Michael Marmot, Clare McNeill and Will Snell provide the answers. Patiently they explain how unequal countries are unhappy countries. Perhaps the statistic that says it all, is Michael Marmot's revelation that life expectancy here, in the world's sixth biggest economy is now actually FALLING in our most deprived communities. Yet as Will Snell explains we can win an argument for the 'fair necessities' of life because the British

people fundamentally believe in fairness as the best guarantor of a meaningful freedom in life for us all. And as Clare McNeil explains, by uniting our social and economic agenda with a social investment agenda we can show how we can grow the country faster - and deliver on levelling up.

For example, we believe in investing in the future not short-changing the next generation. We're the party of education, education, education while the Tories are shortchanging our kids. The gap between public and private education would now take £55 billion to fix. The Tories refused to fund the £15 billion catch up plan their own advisor said was needed. Labour has a different plan. For example, ending private school tax breaks and use the money to help fund £15 billion for our kids and grandkids to catch up.

What's more we believe in high quality universal public services not the Tories philosophy of 'You're on your own'. Labour built social security. But we know we now need to rebuild it. We need new things from a stronger universal system social security for the 21st century. Like help with saving, child care, social care, retraining, universal second pensions - and getting a home you can afford to call your own. It's what you might call 'universal basic capital'.

Delivering on this will require us to put fairness back at the heart of active government. Never again can we allow men like multi-millionaire Rishi Sunak to actually boast of how he took from poor communities to give to the rich.

Strong Communities

Finally, the Tories are ironically divided by culture wars. It was almost hilarious to hear Rishi Sunak declare 'We've had enough of division. Politics at its best is a unifying endeavour' just as Kemi Badenoch took aim at some mythcial 'entrenched opposition from a cultural establishment'.

The dividing line here is simple; between Labour which wants strong communities and the Tories preference for divided communities. Their nasty divisive politics pits neighbour against neighbour - and weakens the Union. By contrast, we believe communities are stronger, safer and nicer places to live when we invest in active communities.

That's why Labour will transforming policing for the 21st century as Rick Nye explains, investing in what Jess Prendergast call 'attachment economics' in every community and crucially, revising our constitution for new times by putting power in people's hands.

The sad end of the Elizabethan era came with a new prime minister who recommitted to Tory notions that have been tried and failed. The way is now open to a Starmer project that will transform our country, not merely for some, but for all.

BEYOND THE TORIES' NO GROWTH PLAN:

THE NEW AGENDA FOR GROWTH THROUGH CLIMATE SECURITY

THE CHALLENGE AHEAD OF US

We need to get serious about tackling the UK's toxic combination of low growth AND high inequality

TORSTEN BELL

Politics should be a public service vocation: it is about what the country needs, not just what you're about. The question all politicians running, or seeking to run, a country should answer is "what is the central challenge facing the nation in that time and that place".

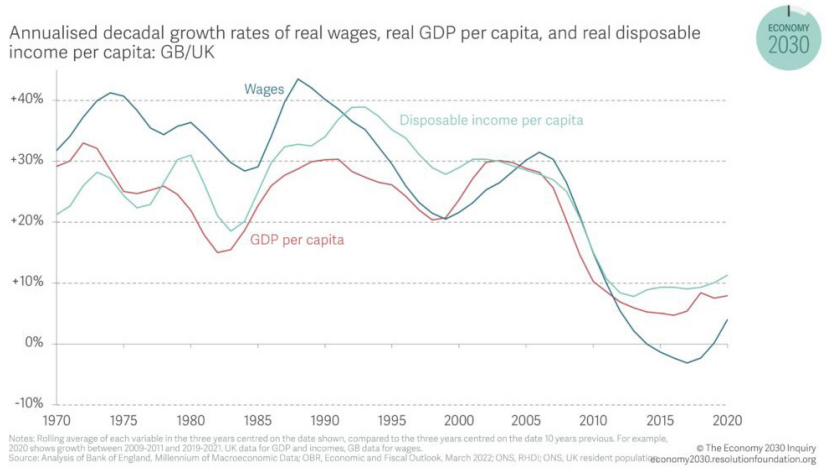
It's also the question they should ask themselves, because election campaigns are as much as exercise in the public working out which party understands the job to be done, as they are a competition between different policy programmes to do it.

Asking this question is particularly important when countries have major challenges to overcome – and that is where the United Kingdom finds itself in the 2020s. So, as a new Prime Minister takes office and a Labour Party looks ahead to the next general election, let's step back to the big picture of where our nation is.

Great Britain is in relative decline

We're a great country – the clue's in the name. But we are also one in relative decline. That's uncomfortable for politicians to admit, but doing so is the crucial first step in doing something about it. Saying "world beating" over and over again doesn't help turn around the reality that the world has been beating us over the past 15 years. Most advanced economies grew more

slowly post-financial crisis, but we've seen half the productivity growth of the 25 richest OECD countries. Having almost caught up with the economies of France and Germany from the 1990s to the mid-2000s, the UK's productivity gap with them has almost tripled since 2008 from 6% to 16%. When some on the left argue this doesn't matter because GDP doesn't feed through to ordinary people's living standards show them this chart – weak growth is **the** reason real wages stagnated in the 2010s, having grown by an average of 33% a decade from 1970 to 2007.



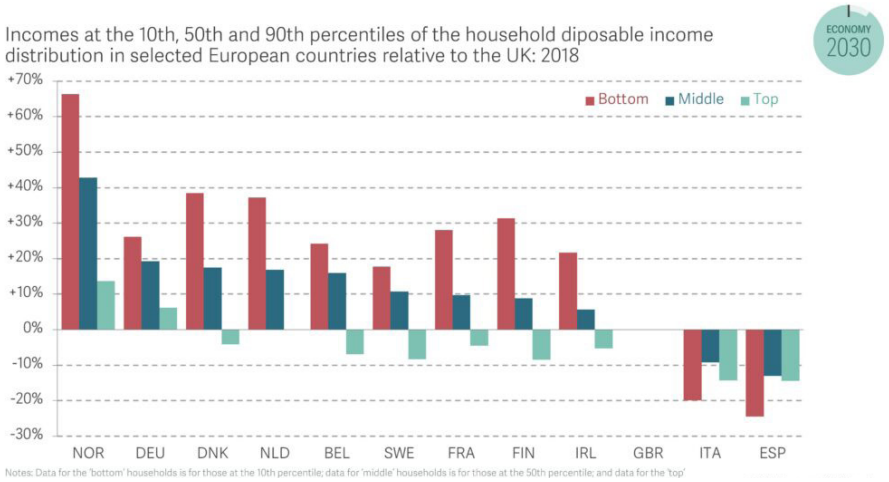
This relative decline is why UK households are so poorly prepared for the cost of living crisis rightly dominating politics today. And it's why we're combining the highest taxes in decades with record NHS waiting lists.

We need to get serious about tackling the UK's toxic combination of low growth AND high inequality

Liz Truss has rightly acknowledged the need to address this low growth disaster. But that is only one of the two central reasons Britain works for so few of its people today. The second is that

UK income inequality is higher than in any other large European country, with huge gaps between places as well as people: income per person in the richest local authority – Kensington and Chelsea (£52,500) – is 4.5 times that of the poorest – Nottingham (£11,700).

High inequality and low growth combine with disastrous result for lower-and-middle-income Britain, and younger generations. Our rich are still richer than the rich in most advanced economies, but everyone else – the middle class as well as the poor – are falling behind. The squeezed middle in Britain is now 9% poorer than their counterparts in France. Low-income households in the UK are now 22% (or £3,800) poorer than their French equivalents.

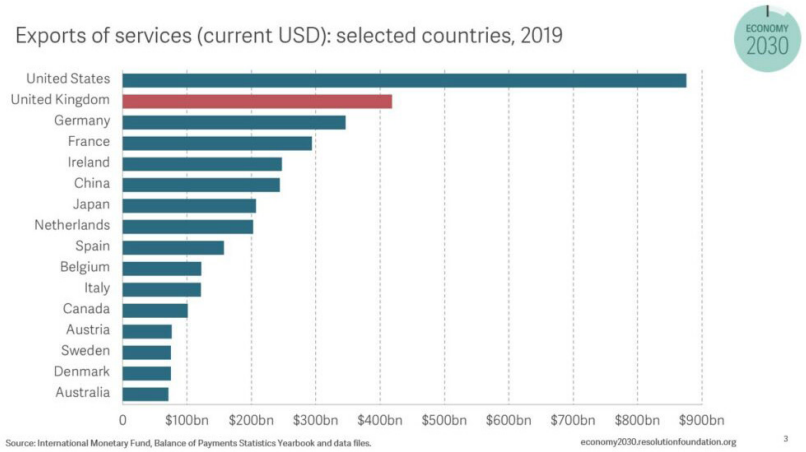


Meanwhile the young have seen generational pay progress grind to a halt. Eight million younger workers have never worked in an economy sustaining average wage rises. Those born in the early 1980s were almost half as likely to own a home as those born in the early 1950s at age 30. We cannot go on like this.

We have to be serious about the nature of our economy, and where growth will come from

The scale of the economic challenges we face leads some to look for silver bullets, or silver linings, to solve our problems. But life is harder than that. Tax cuts won't end our productivity stagnation: growth isn't low because taxes are high, taxes are high because our growth is low. Brexit, whatever it's wider economic/democratic pros and cons, won't lead to a manufacturing revival. More home working will improve the well-being of high earners, but won't lead to people living in Lincoln and earning London wages. And the net zero transition will have less impact on GDP than either its opponents or proponents suggest. It's just crucial to saving the planet.

Instead we need to get serious about the nature of our economy and how to make a success of it. We need to stop thinking we're all about banking, and wishing we were all about manufacturing. The truth is we're a broad-based services superpower – musicians, architects, programmers and scientists, as well as bankers. Neither main party wants to celebrate it, but we're the second largest exporter of services in the world.



This isn't going to change, because countries don't swiftly shift what they are good at: of the top 10 products the UK was most specialised in back in 1989, seven were in our top 10 in 2019. So, we need to make a success of it. This should drive how we prioritise new trade deals, reject worries about 'too much education', rethink corporate tax to encourage investment (including in intangibles) and turn levelling up rhetoric into reality. High-value service industries thrive in cities, but we've failed to ensure that enough of our large cities outside London capitalise on that fact.

We must be as hard-headed about getting inequality down as growth up

We're simply not serious about what it would take to turn around high inequality. Businesses mouth warm words about ESG, while half of shift workers receive less than a week's notice of their schedules. Politicians worry our benefits system is paying some to sit idle, as the number of families experiencing destitution reaches one million.

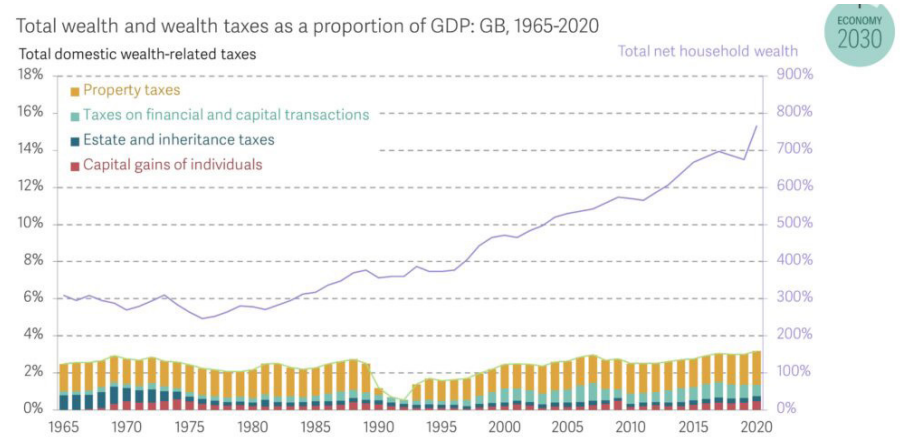
Not all jobs will exist everywhere, whatever politicians promise, but good jobs should. The minimum wage shows we don't have to choose between high employment and high standards. Low earners are around three times more likely to experience contract insecurity or volatile hours or pay than higher earners. Higher wages in non-tradable parts of our economy such as social care or hospitality bring with them trade-offs in terms of higher prices, but that is what more equal (and often richer) countries look like.

Each new crisis sees us patching up the welfare state rather than ensuring it is fit for purpose in the first place. The basic level of benefits is now just £77 per week – only 13% of average pay, the lowest on record. Pre-pandemic almost one-third of households with a disabled adult were in poverty, as were nearly half of families with three or more children. There is no route to lower inequality, nor decent society, that accepts this status quo.

There are political choices about the exact size of the state, but there is no route to a much smaller state that has any popular support given our ageing society, rising healthcare costs, and the new fashion for more defence spending. Remember it was cutting defence from 8 per cent of GDP in the mid-20th century to around 2 per cent today that allowed health and education spend to grow in the past.

So, today's debate about lower taxes should extend to how we get better ones. It's time for a new approach recognising that wealth has risen from three to almost eight times national income since the 1980s, while wealth taxes have not risen at all as a share of GDP.

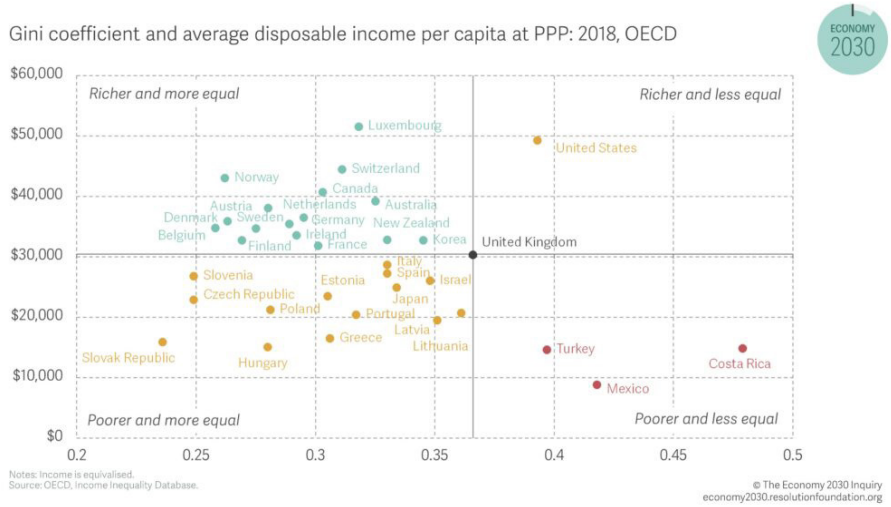
Total wealth and wealth taxes as a proportion of GDP: GB, 1965-2020



Notes: Estimated 2020 value calculated by multiplying the value of wealth as a proportion of GDP from the Wealth and Asset Survey by the growth rate in this value found between 2019 and 2020 in the National Accounts.
Source: Analysis of D Blake & J Orszag, 'Annual estimates of personal wealth holdings in the United Kingdom since 1948', Applied Financial Economics 9, 1999; ONS, UK National Accounts, ONS, Total Wealth, Wealth in Great Britain, ONS Gross Domestic Product at market prices; Current price: Seasonally adjusted £m; OECD, Details of Tax Revenue.

Catch-up is possible, and the prize for low and middle income Britain is huge

None of this is easy. But there is one benefit of our recent relative decline: we have huge catch-up potential. Many countries that we used to compare ourselves manage to be much richer, and substantially more equal, than us. The task isn't to become as equal as Norway and rich as the US, it's to make steady catch-up progress by moving in a north westerly direction in the following chart:



The prize for doing so is huge, especially for low- and middle-income Britain. Think of a set of what we'd always previously have considered peer economies to the UK: Australia, Canada, France, Germany, and the Netherlands. We are now 21 per cent poorer than them. They are also all more equal.

If we matched both their income and inequality levels incomes would rise by £8,800 per household for the British middle class.

That is the prize, not for transforming the UK into a paradise of American productivity and Scandinavian equality, but from the hard but achievable task of building a better Britain. Whatever you think you came into politics for, this is what politics as a public service in the 2020s should be all about.

MISSION-ORIENTED INSTITUTIONS FOR THE CLIMATE TRANSITION

PROFESSOR MARIANA MAZZUCATO

As droughts affected all of England's South West region this Summer, the nation's privatised water companies continued to leak millions of litres of water daily. And even though the English water industry has been called out for failing to adequately invest in the necessary infrastructure to meet ecological standards, executive pay and dividend pay-out seem to reward such harmful performance. The failure to secure a sustainable water supply for the benefit of a few is emblematic of the UK's inability to deal with the wider impacts of the climate crisis. It is only one example of Britain's chronic underinvestment in its capabilities required to solve the most pressing issues of our time.

The case of English water companies shows that markets will not find an ecological and socially equitable direction on their own. Governments play a fundamental role in providing a stable and consistent conduit for investment which ensures that regulation and innovation converge along a green trajectory. Government intervention is only effective if the state has the corresponding capability to act. We need to transform government from within, while giving the economy a new direction.

Transforming the institutional foundation will require innovation and experimentation at all levels of governance, where the focus should be on forming symbiotic partnerships with the private

sector, expanding citizen participation, and designing institutions that pro-actively shape markets. Without dynamic capabilities that are built to genuinely serve the public interest, governments cannot even devise robust terms of reference for the companies they bring in, which can then easily capture the agenda—of which the water industry is a case in point. Governments can and should be shaping markets to ensure that collectively created value serves collective ends.

Top-down pledges and policies are not enough. Rather, we need a structural and institutional transformation from the ground up. Our only hope of keeping global warming within "safe" limits (in fact, the agreed target is much safer for some than for others) is to accelerate a green transition with massive, coordinated public investment aimed at innovation leaps and a socio-economic paradigm shift. The combined efforts of the public and private sectors are needed to transform paradigms and bring better and broader growth. Yet public-private partnerships in innovation and market creation have often been too unbalanced and the benefits of successful projects have not been fairly distributed within the population.

Just as climate change is a dynamic, non-linear phenomenon proceeding through a series of tipping points – each with its own knock-on effects, making it extremely difficult to predict the pace and scale of change – the process of curtailing or even reversing it relies on tipping points cascading in the other direction. Synergistic leaps in technological innovation and institutional transformation can promote positive feedback loops

and cumulative multiplier effects.

That is precisely the aim of what I have called mission-oriented innovation policy. We need to marshal resources and align economic policies around measurable objectives, such as the emergence of new technological innovations and the shaping of new markets. This means bringing the direction of growth and innovation—rather than only its rate—to the core of the conversation. Only by picking a direction of growth, can government steer the economy and tackle the grand challenges of our time. To justify both the missions and the policies, directions must be part of a social consensus. Each mission must be inspirational and catalytic and require many actors and sectors to innovate and collaborate in new ways – whether for a plastic-free ocean or well-managed water security.

To successfully implement a mission-oriented industrial strategy, government must think more expansively about its policy tools. Well-designed procurement contracts can be used to stimulate bottom-up innovation in the direction of missions. To maximise their impact, departmental budgets should be aligned around mission challenges and share the same public procurement guidelines.

Missions must crowd in investments by many actors, with strong conditionalities attached to any form of public support, so as to drive the "upward-scaling tipping cascades" that will expand the current technological horizon and usher in a zero-carbon future. In France for example, Covid-19-related government bailouts were conditional on five-year targets to lower domestic carbon dioxide emissions.

But to reorient the economy around mission-oriented innovation leaps, we will need new institutions at all levels, from local to global.

At the international level, for example, a "CERN for climate technology" (modelled on the European supranational scientific research body) can coordinate investments from participating governments, using a collective pot to finance the development of innovative technologies that the private sector will not pursue on its own, either because they are too risky or because the financial returns are too low. This idea was featured in the final report of the G7 Panel on Economic Resilience, on which I represented Italy.

At the national level, public green investment banks can provide the patient capital needed to expand zero-carbon markets. A promising model is the Scottish National Investment Bank (which I had the honour of helping set up), a public financial institution whose primary mission is to help decarbonize Scotland's economy.

The new bank will catalyse investment across sectors and firms that are specializing in zero-carbon technologies. Another example is the newly founded Advanced Research and Invention Agency (ARIA) through which the UK government sets out to conduct and commission ambitious research with a tolerance to

failure. Because government has the capabilities to make long-term risky and capital-intensive investments in radical innovation, it has the potential to transform the economy.

Last but certainly not least is the municipal level, which is where climate action materializes in tangible projects such as zero-carbon housing, car-free neighbourhoods, and circular supply chains. Here, the new Council of Urban Initiatives, co-hosted by University College London, the London School of Economics, and UN Habitat, has a critical role to play in sharing information about successful projects and aligning them with international agreements, not least those that came out of COP26.

These institutions will need buy-in and engagement from citizens – and especially from vulnerable workers – to get off the ground. The train strikes and other backlash protest movements have demonstrated why momentum behind sustainable economic growth must come from below.

Well-funded public transport and a strong rail network are essential for moving people away from private car use and consequently fundamental for the UK's ability to reduce greenhouse gas emissions. The thinking behind Green New Deal proposals is to harness popular energies by putting people at the heart of the economic transition.

Popular participation means engaging citizens in community-level processes, such as the Camden Renewal Commission, which has used key debates among resident associations to place

housing estates at the centre of the London borough's clean-growth strategy. It also means inviting community associations, cooperatives, and trade unions to form "public-common partnerships" with governments. Another option is to establish citizens assemblies on climate change, as Spain has done. Such institutional innovations will serve as the foundation for a new social contract, which is the only way to build public trust and achieve a socially just transition.

The biggest mistake of climate activism has been the failure to make a compelling, realistic case for a green transition that promotes the interests of labour. A Green New Deal that creates good new jobs, raises living standards, and reduces precarity and inequality should be the highest priority. The green transition's success will hinge on measures ensuring that workers whose jobs are threatened by decarbonisation can gain skills and employment in the new economy.

That will not happen unless workers have a place at the negotiating table. Together with the housing, energy, and cost-of-living crisis, the climate transition is one of the grand challenges of our time. We will need to redouble the behind-the-scenes work of institution-building, with special emphasis on widening participation to include ordinary citizens.

Government needs to regain the ability and confidence to 'think big' – to build the right institutions, direct sustainable economic growth, and form symbiotic partnerships between business and labour. Averting a climate disaster will require

widespread experimentation with new technologies – and, no less importantly, new institutions at all levels.

This piece was adapted from the Project Syndicate article on 'The Right Institutions for the Climate Transition'. (Available here: https://www.project-syndicate.org/commentary/climate-institution-building-after-cop26-by-mariana-mazzucato-2021-11?barrier=accesspaylog).

FIXING THE MIX

Building an investor state would boost infrastructure, raise productivity and protect the most vulnerable

JAGJIT S. CHADHA

We are entering the end game for this Parliament and so it is now time to focus on the policy horizon. In the run up to the next election the government's pieces will be moved by our fourth Prime Minister since the announcement of the advisory referendum on EU membership in February 2016.

The rapidity in turnover of political leadership tells us starkly that there are deep problems with our economic and social performance, relative to expectations and to that of our main trading partners. The overriding narrative is of a kingdom of nations that have taken a huge step backwards in international standing and in the fulfilment of domestic objectives.

At this historic moment with the accession of Charles III, we are not this time faced with post-war reconstruction, industrial decline, the need to deregulate nor the need to hitch our colours to the rise of the City. It is a more a problem of how to bring the country and devolved nations together and aim for economic and social progress for all.

That implies both broadening our regional focus and narrowing our gambit to what institutions and policies the UK needs as a small open economy in order to deal with a global economic

situation we must take as given and no longer made in our image. No new IMF nor World Bank would, for example, offer the UK a seat at the top table, which was certainly the natural order in the first half of the twentieth century.

This relative decline has accelerated since the financial crisis, following which the British economy has been becalmed. Income per head has hardly grown and those in lower income brackets have suffered from more insecure employment alongside limited improvements in well-being. The past year has exposed these problems as the economy is suffering, once again, from a shortage of options in the face of shocks. The injections of monetary and fiscal demand during the Covid lockdowns were still swilling round the system when supply chains started to fail and energy and food costs rose, first in line with a world economic recovery and then because of Russia's invasion of Ukraine.

Rising food and energy costs have most affected poorest households and are acting to drag down demand, as well as further exacerbate income inequalities. It is quite clear that fiscal policy should be used to smooth the income shock also across lower income brackets.

While it is important that fiscal policy does not hide behind arbitrary fiscal rules, it is equally important that the institutions underpinning economic competence, HM Treasury, the Bank of England, the OBR and the DMO are not undermined in a populist putsch. Their expertise will respond best when challenged by clear vision accompanied by rigorous analysis of the UK' underlying

problems. That is the gambit that political leadership must adopt. In our constrained fiscal space, the narrative (at least since the OBR was established in 2010 if not longer) has said "There Is No Alternative" but there certainly has been. And that constraint has pinned down much of the rest of macroeconomic policy in the wrong place on the board. Such an alternative will involve a commitment over the long run to public investment, which has languished at around the half the level required for some 40 years now.

Public investment in physical and digital infrastructure, as well as in human capital and the NHS would not only boost current demand but also ensure that the correct initial conditions were in place for private supply of goods and service to thrive. The private sector would be further likely to respond elastically if we moved back to freer international movement in labour and provided a more stable environment for foreign and domestic investment. Political volatility is no friend of investment. But well targeted public investment is ultimately a friend of the supply side.

In order to improve economic performance, we need to move away from the observation there is little room for fiscal manoeuvre when the weather turns unpleasant because the choices we have then made are largely responsible for the UK's economic doldrums. Since 2008, these fiscal policy choices have asked too much of the Bank of England. The Bank has been asked to fix the mix by having to stoke up sufficient levels of demand to meet the inflation target.

Fiscal policy has been set on too constricted a course, in a world of tighter financial regulations and considerable scarring in the real economy, with insufficient attention paid to supporting the supply side. The result is that excess demand in the shadow of Covid has produced the largest spike in inflation for 30 years. While bringing inflation back to levels consistent with price stability is the immediate macroeconomic priority, it would be a significantly easier task if HM Treasury provided an appropriate cushion for the poorest households, who have also suffered most during Covid. Equity alone demands that we pay attention. But efficiency makes the siren call.

Let me develop the supply side. The well-documented poor performance in UK productivity is just another way of saying that we are not generating sufficient prosperity across the country and that real wages have tended to stagnate. Our track record makes the current adjustment in real wages, which must fall because the costs of our raw materials, foods and energy have gone up relative to the value of our domestic production, even harder to bear as the impact falls disproportionately on households with lower incomes.

Actually, we estimate that the impact on those households could easily be reduced with no deterioration in the medium-term sustainability of our fiscal position, particularly if we moved from a price cap on the average household to a sliding price cap that raised marginal costs for households that used more energy, which tend to be the better off households. Politics and economics ought to be closely aligned. And because they have

not been, our recent experiences provide a good example of why a fiscal rule can also lead to amplifying rather than dampening the economic cycle. The right response to a temporary negative income shock is to smooth it with more debt borrowed from our better-off futures and a slower movement to higher tax if there is a structural deficit. Indeed, the current inflation shock has, on balance, improved our overall fiscal position as nominal tax revenues have increased relative to fixed cash expenditures.

But it is critical, though, that inflation does not persist and is not expected to persist, as that would raise public borrowing costs and pose much more of a problem for fiscal sustainability. And here we turn to the question of the Bank of England. Rightly we should celebrate the 25th anniversary of the central bank's independence, as the Monetary Policy Committee had hit its objective over its lifetime, with inflation at around 2 per cent. But it is now set to face its most difficult task, even with the insulation of reputation: to drain excess demand from the economy, including the liquidity generated by huge asset purchases under Quantitative Easing, without check-mating an economy that is facing the ragged edge of Brexit, a compression in trade and a lack of direction.

It can only achieve this if the Bank continues to be charged with the sole mandate of reaching the safety of price stability. It does not need a broader remit or to be given further objectives, though more dialogue and discussion on complex trade-offs would help us understand better the choices that are faced at every meeting.

Indeed, fiscal policy could learn very well from the Bank of England framework by adopting a measure of well-being of the British people as its own objective and remembering that deficits are an instrument and not a target of policy. An appropriate target for fiscal policy would be to work towards significant increase in well-being for all working families across the nation. This would imply assessing policies at fiscal events through the lens of what that will imply for all families across the income brackets over the medium term and prioritising policies that support medium term growth. For that to happen HM Treasury along with the OBR will have to re-think how it assesses the returns to large scale public investment, the employment it creates and the impact on general government net worth.

At the same time, politicians will have to develop better ideas on how to use public money and be prepared to commit to long run plans, which may ultimately mean handing over public investment schemes to some amalgam of the National Infrastructure Commission, the UK Investment Bank and an Industrial Strategy Council with an assessment of its implications for the supply side by the OBR. Let the politicians define the objectives and then be sufficiently confident to allow the experts to play the game.

IF WE WANT GROWTH, LET'S LAUNCH AN OWNERSHIP REVOLUTION

WILL HUTTON

A future Labour government wants growth, growth, growth. So it should. Growth offers more quality jobs, higher living standards, increased tax yields, improved public services and above all confers optimism - a sense that tomorrow can be better than today. It goes without saying growth should be sustainable, but that only reinforces the urgency. The conundrum is how.

Prime Minister Truss's answer is that growth is driven by the rich or wannabe rich incentivised by yet more tax cuts to be so-called "wealth creators" - trickle-down economics: the evidence that it works is slight to non-existent. Nor is that surprising. Growth comes from the application of inventiveness, but through thousands of firms and millions of people using the gifts the gods gave them to make the world better, generally incrementally but occasionally in step changes, which translates into more effective and efficient delivery of whatever good or service. Growth is not the incidental by-product of rich "wealth creators"; it is the product of complex economic and social organisations that marshal and integrate these impulses so they are effective.

It is multiple forces that come together to support the inventiveness that drives growth - a trusted, stable and peaceful framework

in which to work and build a business, knowledge and skills, access to rich markets (in our case the EU) and an assurance that demand will grow, means to mitigate risk, investment in science and technology, great and cheap transport links, availability of appropriate finance , the rule of law and the security of property rights and contracts that flow from it. But there is one over-riding and overlooked precondition for growth. How companies are owned, governed and managed.

This linkage between how companies are owned, how they are then governed and the strategies they adopt is fundamental to any economy's capacity to grow. But the UK is an outlier. Unlike any other advanced industrialised country, it insists that the over-riding priority of a company is the fiduciary obligation to pursue profits rather than the firm's wider health and purpose, moreover it has built the entire financial and ownership ecosystem around that proposition. It is thus harder in Britain to create a group of anchor shareholders who get behind a company's mission and who will stand behind it through thick and thin than in any other; instead most companies suffer wildly diffuse and numerous shareholders who have no means - apart from buying or selling - to express their support or otherwise.

It is a wild west of fractionalised, dispersed, uncommitted owners in which the opportunity to demonstrate sustained inventiveness over time in a healthy organisation by binding all the stakeholders into a common cause is made impossibly hard by the prior obligation is profit maximisation.

Takeover and loss of independence are absurdly easy. There is never one reason for low investment, low innovation, low spending on R and D and poor productivity growth - but unless Britain changes its approach to ownership in a major reset of its capitalism, it does not have a chance of meeting even the necessary precondition for sustained growth.

Nor does the vital reset stop there. The mono-culture in which profit comes first may come from the dominance of publicly owned companies and large companies in private ownership - private equity - in the ecosystem but it spills over into the economy at large. There are too few co-operatives and mutuals. Too few employee-owned companies. Too little public ownership. Too few foundations. Too few partnerships. In short overall there is too little capacity for workers, managers and directors to act purposefully on the economic world to change it for the better, drive innovation and productivity - and in the process make profit. Profit should be a means to an end - ensuring the survivability and sustainability of an enterprise - but it cannot be the end. The end is a business's purpose which should be its north star. A business exists to make the world better in some way - that is, after all, the origins of any market niche in which customers repeatedly offer their patronage.

Great companies around the world know this without it being spelled out; it is part of their DNA. It could be Sweden's IKEA, the US's Apple, Japan's Sony, Germany's Bosch or Schneider. Even in Britain a commitment to deep or intrinsic purpose is what lies behind the strength of companies as disparate as Legal and

General or the John Lewis Partnership. The trouble is they are exceptions - not the rule. The ecosystem and legal framework to make such companies more commonplace does not emerge spontaneously from market interactions in the marketplace - the complacent conservative doctrine. The architecture must be put in place by the state. If Labour want growth and business willingly to partner with it in achieving bold national missions, motivating all its stakeholders, then its first acts in government must be lay the foundations of this new architecture to create more companies readier to step up to the plate.

Thankfully some of the groundwork has already been done, and on top there are a number of companies and investors who are moving in this direction of their own accord. Purpose works, attest CEOs and leading investors, in on the record interviews published by the Purposeful Company in the Purpose Tapes: (see www.thepurposefulcompany.org) it motivates, it engages workforces, it provides a compass with which to navigate difficult trade-offs, it drives investment and innovation, it persuades stakeholders to join in the common endeavour. Reform is always easier and with greater chances of success if it works with the grain of what is happening rather than against it.

The last Labour government bequeathed the 2006 Companies Act and its Section 172 - much watered down from its original intent - but nonetheless on the statute book. It provides for directors to take account of the interests of stakeholders other than shareholders if they believe that in so doing they promote the shareholder value in the company. Pure pursuit of shareholder

value is leavened by recognition that other factors contribute to a company's vitality.

The 2020 Corporate Governance Code goes one step further; it invites its signatory companies to declare and report on their purpose. Only a fraction, says the Financial Reporting Council, actually do it properly - but again a bridgehead exists. There now needs to be a Companies Act which builds on these advances and requires companies to incorporate around a declared purpose on which they report not only to shareholders - but to all their stakeholders. Auditors should audit how satisfactorily purpose has been implemented.

Britain's utilities should not be expensively renationalised. Instead, the same Companies Act should provide for their incorporation as public benefit companies: that is to say their overt mission should be to deliver the public benefit which they should write into their articles of association of each particular business - water, electricity and gas generation, networks to deliver gas, electricity, data etc - around guideline universal service obligations.

The regulator should independently verify that they are discharging their public benefit commitments, working with independent directors appointed as one of the privileges associated with owning a newly created £1 foundation share which the government takes in every regulated utility. Regulation should be overhauled to permit more proactive regulation, with it understood that licences will be revoked from underperforming

utilities (Swiss regulation is an important model).

Already the best in the water industry for example - Severn Trent, United Utilities, Northumbria - act voluntarily as public benefit companies. This will extend the principle to all.

Appropriate shareholders prepared to invest in this new asset class of public benefit companies will come forward - already there are superannuation funds in Australia, the US and Canada large and long term enough in their thinking, already investing in British utilities, who will increase their holdings. They need to be joined by British insurance companies and pensions funds. A newly created British sovereign wealth fund, funded from a mix of public asset sales, windfall profits taxes, further levies on North Sea Oil and Gas production and sales of bonds to ESG investors, would take stakes as an anchor shareholder to boost British ownership on the model of the Norwegian Sovereign Wealth Fund, Norges. The Fund would be at arm's length from the state, autonomous and its decision making wholly commercial - but within a framework of long-term commitment to purpose.

Alongside this every part of the country should have access to a network of decentralised financial institutions - some public and some public-private partnerships - whose sole aim is the scale up of fast growing small and medium sized enterprises. They need the same mix of patient anchor shareholders and long term bank finance as larger companies, along with voting rights that protect them from unwanted take over as they grow. We need the next generation of great companies to regenerate a British economy

over-populated with ageing firms at the end of their natural life cycle.

Of course there is more to support growth - raising R and D spending, creating high growth clusters around our universities, a skills revolution, turbo-boosting the effective but too small Catapults with their mission to foster start-ups and scale-ups, regaining full access to the EU customs union and single market and re-joining the Horizon programme, driving to net zero and levelling up, using public procurement more cleverly as was done with sponsoring vaccine research and production. But none of it will catch fire into sustained high growth without purposed firms uniting all their stakeholders into a common mission to capitalise on the opportunities.

It is a great prize. The best in British business is already operating in this way. We need the rest to join them in what will be a genuine ownership and innovation revolution.

LABOUR'S GREEN NEW DEAL

How Labour's Plan for Public Investment Can Deliver Climate Action to Transform our Economy

MIATTA FAHNBULLEH

At a time when we are buffeted from one crisis to the next, it could be easy to put climate change on the back burner. But the imperative to tackle climate change remains just as urgent. The science is clear: we must halve carbon emissions in the next 10 years to limit temperature rises to 1.5°C[6]. But this is a global average and will require much steeper emissions reductions in industrialised countries than in developing countries[7]. At the same time, we have been warned that nature more broadly is declining globally at rates "unprecedented in human history."[8]

The more environmental breakdown remains unchecked, the more chaos in the system: more devastating hurricanes, record droughts, extreme floods, the coastline disappearing, food scarcity from loss of crop-yield and fisheries - all driving climate related poverty across the world at a scale we can't even imagine.

The cost of this not just in pounds but in human suffering will be immense.

6 Intergovernmental Panel on Climate Change, accessed June 2019,https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/

7 United Nations, "Framework Convention on Climate Change", FCCC/INFORMAL/84 GE.05-62220 (E) 200705,1992 https://unfccc.int/resource/docs/convkp/conveng.pdf

8 ipbes.net, accessed June 2019, "Nature's Dangerous Decline 'Unprecedented'; Species Extinction Rates 'Accelerating'" https://www.ipbes.net/news/Media-Release-Global-Assessment

Therefore, the choice before us is whether we take deliberate action now to achieve the change we need, or we sleepwalk into a crisis and panic in response when it will be too late.

The Labour Party has made its choice, with its commitment to a Green New Deal. But at the heart of this Green New Deal must be a recognition that the race to tackle climate change should come hand in glove with a major drive to reform the economy so it works for everyone. That means transitioning to net zero in a way that reverses the trend of the last 15 years in which living standards for the majority have been squeezed and our communities held back. Put simply, to tackle climate change, we must transform the economy. The ambition is clear, but the big question is what must Labour do to make this a reality?

First, it must commit to the scale of public investment needed. There is no path to net zero without public investment. The question is whether we do this as a part of deliberate and proactive strategy to adapt our economy as we decarbonise or we do this in a panic as the impacts of climate change begin to bite. Labour has grasped this with its pledge to invest £28bn a year in the green transition. This is a welcome first step. But Labour should seek to leverage this investment by aligning the mandates of existing state-owned financial institutions – the UK Infrastructure Bank (UKIB), the British Business Bank (BBB) and the UK Export Finance (UKEF) – with the Green New Deal.

Taken together, these institutions investment billions every year and could play a more active role in guiding the UK economy

towards net zero. This would ensure that the state was using its full financial firepower to unleash the benefits of a Green New Deal. And when combined with a clear mandate for the Bank of England to make climate considerations central to its operations, this would bend financial markets that have been slow to respond to the climate imperative and unlock the scale of investment needed to green our economy and help businesses and families to transition.

Second, large scale investment must be matched by equally ambitious action at the local level. We cannot transition to net zero in a way that is just without empowering and equipping those at the local level to respond. If we simply push out investment from the top, we may hit our decarbonisation targets, but we are unlikely to do this in a way that protects and supports the communities that will be impacted by this transition. £12 billion a year should be devolved to regional and local authorities to invest in the green infrastructure and services they need from public transport, nature conservation to the circular economy. This should be matched by regional carbon budgets, binding targets for net zero, and a statutory duty to develop green industrial strategies that aim to deliver good jobs that pay a decent wage.

But to make these strategies bite, there must also be a radical devolution of power and funding for education, skills, employment support, energy, housing, planning and local transport. This would give local leaders the tools they need to change their local economies so its works for people and planet. In return for these powers, local leaders must work with their community,

trade unions and local businesses to define what success looks like, develop a shared just transition plan for their areas and create new ways of doing things, tapping into the energy and ideas bubbling up from the ground. This will give local people a direct say over how the local economy should be made to work in their interest as we transition.

Third, we must upgrade and expand the green infrastructure we need for the future. At the forefront of this will be clean energy and public transport. These are public goods that are fundamental to getting the transition right, so must be owned by communities and work in their interest. This would create a route to giving people a direct stake in the green economy of the future and build and distribute community wealth. To ensure there is a guiding mind driving the shift to clean energy, National Grid should be brought fully into public ownership and tasked with modernising the network and managing the energy transition. Regional public sector backed co-operatives, owned by consumers and workers, should be set up to generate, transmit and sell clean energy.

If combined with municipal and community energy schemes, we could flood the country with clean energy at pace and transform our energy system. But the energy sector of the future must be built around the principle that energy is an essential good and everyone should have access to free basic energy. This would ensure everyone covers their minimum energy needs for free and then we pay a rising tariff the more energy we use.

Similarly, there must be a step change in decarbonising our transport system. While other sectors such as energy have made significant progress in decarbonisation, the share of the UK's annual carbon emissions taken up by transport has nearly doubled since 1990.[9] Legal targets and regulation to ban petrol and diesel will begin to shift behaviours, but if we want people to get out of their car, we need to make alternative as affordable and accessible as possible. This means expanding the public transport network to ensure low-cost buses, trains, trams and community transport across our communities to created connected places.

Finally, we need a new generation of green homes. Across the UK, millions of homes are in need of upgrading to make them warmer, less draughty and damp. But insulating homes is costly and disruptive which puts many people off. There is no credible pathway to net zero without energy efficiency and low-carbon heating from electricity, at scale.

To get there, we need a Great Homes Upgrade – a national effort, backed by investment, to retrofitting 19 million by 2030.

This should be delivered by regional and local authorities, working street by street, to upgrade homes whilst improving the look and feel of the neighbourhood. Alongside upgrading our existing stock, we need to build the green homes of the future. We must build 3 million social homes in the next two decades to fix the housing crisis. Why not make these zero carbon homes? This would create the next generation of social homes, provide homes that are cheaper and greener to run, and modernise our construction sector at scale.

9 Transport_Decarbonisation_Plan_parliamentary_briefing_April_2021.pdf (green-alliance.org.uk)

Labour's Green New Deal, with its commitment to invest £28 bn of capital a year, could be a gamechanger. Done right, it will take carbon out of our economy in a way that revives our communities, creates hundreds of thousands of jobs and builds community wealth. Capital investment is key to unlocking this, but it is not enough. Investment in the infrastructure and wiring for the green transition must be combined with investing in people and the social infrastructure required to ensure that this transition is just. This will be critical for workers and communities at the sharp end of this change to get a fair deal.

A Future Skills Scheme, for example, would allow firms transitioning to reduce the hours their employees work while providing income support and training, allowing their workers to use non-work hours to retrain and upskill for jobs in sectors that are growing. But this won't happen without government backing.

If Labour ups its commitment so that it can invest in the people whose interest this transition must work, its Green New Deal has the chance to transform our economy and level up communities that have for too long been held down. And that's a price worth paying.

MAKING GREEN BRITAIN

Manufacturing Must Be At The Heart of Labour's New Green Economy

STEVE TURNER

An incoming Labour government will face myriad of challenges in addressing a decade of Tory failure. From an urgent need to address a growing cost of living and housing crisis to investing in the rebuilding of our NHS and wider public services, fixing broken communities and rebalancing the economy to address the challenges of the climate emergency. A positive, ambitious Labour alternative must have at its core an interventionist view of the role of the state, a plan to recover, rebuild and champion UK manufacturing, positioning it at the centre of a new green economy.

Actively supporting the transition of our traditional manufacturing base to produce the produces we need for the future, supporting well paid, secure jobs and tens of thousands of apprenticeships as we strategically intervene across the economy, revitalising our manufacturing heartlands and communities across our nations.

UK manufacturing demonstrates excellence in innovative research and development, design and engineering. Globally recognised, we lead the world in pioneering technologies from our pharmaceuticals and life sciences to chemicals, energy generation, automotive and aerospace sectors, that with support and the ability to generate investment will transition our economy

and provide the framework for a better Britain in a fairer, greener, more equal world.

Government cannot be a silent partner in meeting this challenge. If we are to genuinely level up and end gross regional inequalities, we must bring opportunity to all, empower communities and put the resources of government to work breathing life back into local and regional economies. With an ambition to reverse decades of government inertia towards UK manufacturing we now have an opportunity to develop a comprehensive, dynamic industrial policy alongside a clear strategy to deliver it. A strategy to rebalance our economy and put manufacturing and a renewal of national infrastructure centre stage. Nurturing and investing in new and emerging technologies while actively supporting core industrial sectors and promoting a 'worker focused transition' of operations and processes at risk given the rapidly changing technological environment.

Working collaboratively with business and unions to secure the capital investment in digital technologies, tooling and skills necessary to secure dramatic advances in productivity and competitiveness, Labour's industrial strategy must commit to protecting working people. To ensure that we develop a modern, genuinely high wage, high productivity economy, we must match our commitment to business with the introduction of greater support for workers.

Ending the gross inequalities in both pay and opportunity that holds back talent and discriminates against millions of women,

Black and ethnic minority workers. We must make it easier for workers to organise into trade unions and introduce a body of new collective rights and freedoms as well as individual protections for all workers. We must take action to end the obscenity of excessive profiteering and boardroom pay with a progressive tax regime that redistributes the wealth we collectively create more equally across society.

- Labour's commitment to bring forward legislation to enact the provisions of our 'New Deal for Working People' will provide a statutory framework to ensure genuine progress towards a fairer deal for working people. Addressing many of the issues raised above while creating a statutory framework for genuine industrial democracy and sectoral, as well as workplace level collective bargaining.
- Fair pay and conditions, shorter working time, shared work and earlier retirement are all possible in a fair economy in which government commits to a new 'social contract', ending poverty, including pensioner poverty, and ensuring dignity for all. Labour must commit in a genuine and meaningful way to leaving no family or community behind throughout our journey to rebuild UK Plc.
- Labour must be ambitious in our demand to ensure the redistribution of the benefits obtained from investment in new technologies, automation and the digitalisation of work - greater productivity and efficiency must benefit working people, families and communities alongside business innovators and corporate investors. We all deserve our fair share of the common wealth we create.

At the heart of an ambitious industrial strategy must be a willingness to intervene in the economy, taking the political initiative necessary to develop a cross departmental, integrated industrial policy that supports good jobs in core industries.

- A new post of 'Minister for Manufacturing Strategy' - a cross government champion of industrial policy and manufacturing strategy should be established to drive forward government action in an integrated and cohesive manner, supported by a UK level 'Industrial Strategy and Just Transition Council' with government (national, devolved and local), industry and union representatives, developing long-term solutions to decades of decline.

Political intervention can take many forms; from taking equity or a controlling stake in corporations seeking government support and assistance, to full public ownership of national infrastructure, foundation industries, public transport and utilities such as water and energy. Introducing changes to the tax regime that address the impact of rising energy costs, broken business rates, the need for long-term investment credits and a fair rate of corporation tax. New regulation to end endemic short-termism and protecting UK business from predatory acquisitions and asset stripping. Labour's industrial strategy must aim to bring about better corporate governance, promote new models of ownership and importantly, introduce an ambitious procurement policy to support good jobs here in UK.

- A Labour strategy must act to address a chronic skills crisis

in core areas of expertise, the desperate need for support and proper funding for STEM subjects in our schools, universities and further education collages, high quality apprenticeships and lifelong opportunities for re-skilling and continuous learning.

It also means ensuring public funding supporting research and development, innovation and investment in major infrastructure is tied to the provision of long-term secure jobs here in the UK. We have to make more of what we need here in the UK and any industrial strategy must work towards ensuring that this happens.

- The failure of successive governments to gain binding contractual commitments from those seeking public funds and/or tendering for publicly funded work to minimum UK content by value, skilled jobs and apprenticeships must end. Tax-payers money is too often seen to be supporting jobs, communities, innovation and investment overseas.
- Scotland and the North East of England have seen some of the largest off-shore wind farm developments in the world and for this not to have been seen by government as an opportunity to promote UK business innovation, design, engineering and manufacturing is unforgiveable.

Such failures to support UK businesses, jobs and local communities create anger and genuine scepticism over promises of a 'just transition'. This plays out negatively in discussions across our nations about government being 'on our side', even a belief that there is any will on the part of government to put people at the core of our industrial renewal.

- Labour's minimum standards on procurement are a good start but a nationally driven procurement strategy must see publicly funded contracts supporting the development of new, and diversification of existing, UK businesses and support for good jobs in local communities as part of a public policy to Build Local/Buy UK.
- An industrial strategy that delivers for the UK must see us investing in innovative new technologies such as tidal and wave energy generation as well as wind and solar power, nuclear and the manufacture of synthetic fuels, SAF, hydrogen and bio-mas. We lead the world in a host of technologies but have shamefully failed to support their introduction at scale here in the UK.
- A National Investment Bank and Regional Investment Vehicles must be established to facilitate lines of affordable credit, capital investment and start-up financing, grants and monies for the taking into public ownership of assets in the national interest.
- Labour's industrial strategy must see the introduction of a UK version of the hugely successful German Kurzarbeit and Mittelstand schemes. Enabling a transition with support for workers as well as businesses, offering short-time working protections, paid re-training opportunities and job protection while new innovations are brought to market, plant is repurposed, tooling and equipment installed or during periods of business volatility.

Targets for a net zero 2030/50 will only be met via a multi-facetted approach that must include a government led plan to decarbonise energy generation, support our foundation industries and transition core industrial processes while investing in major new national infrastructure projects such as the provision of high-speed broadband to every home and a national charging infrastructure to support the roll out of electric vehicles.

While generating the green electricity to meet future needs requires a clear and balanced energy policy, we also have to remove natural gas from our pipelines, fossil fuels from our roads, sea and air and support the manufacture at scale of hydrogen, SAF, synthetic fuels and bio-mas as workable technologies to make this happen.

- Our aircraft can already fly using sustainable aviation fuels (SAF) and our tug boats operate on recycled cooking oils, but the manufacture and processing of both is too slow to meet even our 2030 targets.
- Manufacturing hydrogen and ammonia from excess overnight wind energy generation is a far more effective utilisation of capacity than attempting to 'store' excess supply in batteries. The hydrogen can then be used for multiple purposes including electricity generation as a natural gas substitute and the ammonia to decarbonise marine transport.
- Our oil and gas platforms alongside refineries continue to supply the fossil fuels we need but without a plan to transition their operation and capacity to manufacture the future products we demand. Without such a plan that protects workers and local communities there will be no buy in from unions or those reliant on the jobs and incomes they provide.

Oil is refined for use in the manufacture of a range of everyday materials from chemicals to plastics and millions of cars will remain on our roads post 2030, reliant on an on-going supply of petroleum products. This will remain the case for decades to come without a positive tax incentive to renew and a reversal of the governments ending of the plug-in grant scheme.

In the meantime, Labour must support innovation that works alongside transitional technologies that will have an immediate impact on carbon reduction but have been ignored by a Tory government fixated on single solutions. It is already possible to retrofit conversion kits to combustion engines, enabling the use of bio and synthetic fuels and hydrogen-ICE technology is already under development for heavy vehicles such as lorries and construction equipment.

Our automotive and aerospace sectors are the jewel in the crown of our manufacturing economy and billions of pounds of investment has been made in technological solutions to decarbonisation such as SAF, synthetic fuels, hydrogen and biomass. All provide affordable transitional options to convert and decarbonise existing technologies in both sectors and an industrial strategy must bring together government and industry to develop such ideas, rather than simply dictate its direction. Such an approach

will allow innovative engineering and technological solutions to develop that will power change here in the UK and provide solutions and export opportunities across the world.

- It's ironic that today, a battery electric vehicle could be responsible for more carbon emissions over its lifespan than the internal combustion engine it's replacing - not in its onroad operation, but in its component manufacture and charging cycle.

Our automotive sector employs some 800,000 workers in direct manufacturing, its supply chains, sales and garage network. Hundreds of thousands however are employed manufacturing, maintaining and replacing parts that, beyond initial 'after-sales' requirements, won't be required following our transition to electric vehicles. Electric Vehicles (EV's) don't require engines, fuel pumps and injection systems, gearboxes, exhausts or fan belts amongst many other components. How we transition a whole sector, repurpose plant and equipment and re-skill a workforce will be a measure of our success in supporting a true 'workers transition'.

- Regional economies across the Midlands and the North of England will be devastated without a centrally driven industrial plan and strategy to transition current manufacturing capacity from a hundred-year legacy of the combustion engine to the manufacture of the electric drive units, digital control systems, motors, inverters and batteries required in electric vehicles.

- We must demand more! We don't want to simply assemble vehicles or batteries from imported components, we want to manufacture the high value components here in a resilient UK supply chain.
- We can now take ownership of the entire process of battery construction from cathodes and anodes to cell construction as rapidly developing UK technologies mean we're less reliant on the overseas mining and refining of materials such as lithium and cobalt. While developments in future Solid State battery technology are being pioneered here in the UK and must lead to UK jobs not overseas licencing of manufacture.

Labour has an opportunity to demonstrate its ability to build local alliances with industry, unions, universities and local government to support this transition. Labour must develop an energy policy that ensures both energy security into the future and that the cost of energy is competitive with our overseas competition. We have to attract the investment necessary to meet our ambitions and aspiration. Labour must support our foundation industries such as steel, building on the nationalisation of Sheffield Forgemasters if necessary, and invest as a partner in those high energy users such as those manufacturing paper and packaging, ceramics and construction materials.

- Labour's industrial strategy must work to protect our national interests in our trading relationships with both the EU and nations across the globe. Trade deals, alongside our post Brexit relationship with the EU, must be based on the

principles of 'fair trade not free trade'. Protections against social and product dumping, unfair tariffs and quotas must be part of any core agreement and the voice of working people must be at the table to ensure that our interests are secured and that global rights impacting both workers and trade unions are enhanced.

Generating green electricity and providing our nation with energy security as well as cheaper domestic supply and a more competitive industrial offer is a priority if we're to meet our carbon targets, but government plans to fund this transformation via private finance, the consumer 'green levy' or 'the market' won't do this. Energy security is the responsibility of the state and a balanced energy policy including investment in new nuclear, wave, hydro and tidal generation, alongside existing renewables, is key to our long-term objectives. With interest rates at an historic low a decade has been wasted by government ideological opposition to public borrowing.

- Establishing a National Investment Bank to raising finance both directly and via new issue 'green bonds' could fund a new publicly owned Domestic Energy Company to secure the long-term investment necessary to ensure supply and diversify our grid network, investing in local 'community energy hubs', as well as major infrastructure projects.

While large scale nuclear reactors are a central part of our energy mix and the sites at Hinkley and Sizewell will generate a huge amount of power, giving the green light to the small modular

reactors designed, engineered and manufactured here in the UK will not only create some 40,000 jobs in communities across the UK, but each (the size of two football pitches), will generate electricity to power a million homes. SMR's could also localise the generation of power for new community grids, supporting local 'energy from waste' plants to manufacture green hydrogen and capture carbon directly from the atmosphere via Direct Air Capture technologies.

The green hydrogen and carbon captured and stored via nuclear can replace natural gas in our homes, remove coal from our steel industry, decarbonise SAF manufacture and power heavy construction equipment, buses and lorries via Hydrogen ICE technologies or developing fuel cells. Ammonia from hydrogen can be utilised to decarbonise marine vessels as well as for the UK manufacture of fertilisers.

- To think that we can generate enough electricity to meet expanding demand, estimated to be three times greater than today by 2050, without nuclear capabilities is naive. To manufacture SAF alone to the level of demand estimated at 2050, would require the combined output of some 4000 SMR's across the globe, covering a footprint the size of Bristol, to do so with wind energy however, would require wind farms twice the size of France.
- The question is do we want to support an integrated, balance energy policy that decarbonises generation while creating thousands of UK jobs in manufacturing as well as construction and operation, attracts huge inward investments

and develops exportable technologies supporting our economy, or do we continue to import technologies from overseas.

Labour can and must develop our plans to green our towns and cities with the next generation of electric buses, trams and light rail networks. An opportunity wasted by the Tories this is possible with a plan for up-front investment and government support for a 'national build and leasing scheme' to renew our aging, polluting, fleets.

With the government walking away from both the Zero Carbon Homes and Green Deal initiatives, thousands of jobs and genuine apprenticeships can be created across the UK with a national plan to insulate and retrofit our housing stock, reducing energy use and warming our homes, as well as connecting communities into new high speed digital highways and installing a national charging infrastructure for electric vehicles. The UK, for historical reasons, has some of the oldest housing in Europe and a programme to address energy waste via ill-fitting single-pane windows, loft and underfloor voids and poor legacy cavity insulation is key to reducing our energy needs, as is the provision of affordable heat pumps, domestic solar/wind electricity generation and battery storage capacity. All of this is possible with an ambitious vision and funding options that make it affordable.

- Materials for use in a retrofit programme, just as with digital connectivity, can and should be procured from UK suppliers, promoting manufacturing capacity and legacy jobs across the UK alongside the thousands of new jobs in installation.

The above can form the basis of a comprehensive Labour industrial strategy that protects and creates skilled jobs while safeguarding UK national interests in a globalised world. Much of it is regulatory, addressing long-standing issues in the UK economy such as short-termism, poor corporate governance, vulnerability to a hostile takeover and asset stripping and an absence of genuine industrial democracy that work against our long-term interests.

It's interventionist and deliberately so, it's the role of government to pro-actively intervene and invest in support of its national interests. Structural mechanisms to support an industrial strategy must include the establishment of a national investment bank and regional investment vehicles to support strategic financial support via affordable lines of credit, capital investments and start up financing, equity and grants alongside capital allowance tax credits and other treasury measures to support long-term investment.

Local implementation of a national strategy will require the establishment of new regional development agencies to include industry, union and local political and community voices, new powers to devolved nations, combined authorities and local government bodies. The strategy must be driven however from the centre with a new 'Minister for Manufacturing and Industrial Stategy' in cabinet championing our industrial revitalisation and

a UK wide 'Industrial Strategy and Just Transition Council'.

It's only Labour, with its roots in the industrial heart of our nations, that can bring such a strategy together, building the alliance between industry and unions, local government and state necessary to deliver a diverse economy and the millions of new jobs we need as we recover and rebuild while confronting head on the challenges of the climate emergency. With a clear vision and ambitious industrial strategy we can do this!

ACTIVE GOVERNMENT

FOR A FAIRER STRONGER NATION

SPIRIT LEVEL LESSONS

A Six Point Plan For The Right (Left) Kind Of Active Government

PROF KATE PICKETT & PROF RICHARD WILKINSON

Ten Years and Counting...

In 2009, we wrote The Spirit Level, based on our work as epidemiologists researching the social determinants of health and wellbeing. We showed, emphatically, that greater equality – a smaller gap between rich and poor – is the fundamental basis of a better society. The more equal of the rich, developed countries have resoundingly better physical and mental health, which is part of the reason why they weathered the storm of Covid-19 better than more unequal countries.

But economic inequality, and its intersection with inequalities related to ethnicity, gender, disability, language, religion and more, is not just a health issue. In The Spirit Level we showed that all the problems that are more common at the bottom of society, that have a social gradient, get worse with greater inequality. And that body of evidence has continued to grow in the years since, based on our own research and the work of many others across the world. In addition to shorter life expectancy, higher death rates and levels of chronic disease, increased obesity, mental illness and poor child wellbeing, more unequal societies suffer from more violence, including homicides, domestic violence, child maltreatment and bullying. Children and young people do less well in school and have lower chances of social mobility and higher rates of dropping out and teenage births.

Drug and alcohol abuse, problem gambling, status consumption and consumerism also rise with inequality, while levels of trust and solidarity, and civic and cultural participation decline.

Countries that tend to do well on any one of these measures tend to do well on all of them, and the ones that perform badly do badly on most or all of them. And not only is the impact of inequality wide-ranging, differences between countries are large; and although the poor are worst affected, inequality affects almost everybody.

And that means that the UK is trailing behind the countries to which we usually compare ourselves, on that long list of problems, and that all of us – young or old, male or female, in the North or the South, rich or poor – ALL OF US, are damaged. We are each at higher individual risk, and our whole society is ground down and trapped by inequality: we, and it, fail to thrive.

We've used a robust framework analysis to show that this is a causal problem and we've done a lot of work to understand the pathways through which inequality does the damage.[3] We know that tackling inequality is the central task in responding to the multiple crises we face: the climate crisis, the cost of living crisis, the North-South divide, food insecurity, the gig economy, threats to our democracy. Inequality is at the heart of it all.

The Lost Decade

When The Spirit Level was published we were at first heartened by the political response to the research. Politicians across the

political spectrum seemed to understand the evidence and inequality seemed to take its rightful place on the political agenda.

But what has happened in the UK since then – a decade of austerity, followed by a global pandemic, and now a cost of living crisis, means we're just as unequal now as we were then. And every crisis that comes along seems to be another engine of increasing inequality.

Who suffered from the Global Financial Crisis? Average real incomes declined, and that was particularly true for the youngest and lowest paid workers. Who were most likely to be exposed to Covid, to be infected, to be really sick, to die? Death rates were twice as high in the most deprived areas of the UK as in the most affluent. And we know who is already suffering most from rising prices, rising interest rates in the cost of living crisis – those on low incomes, on benefits, families with children, especially lone parents and everyone living outside of London and the south east.

And in all three of these crises, it hasn't simply been a matter of the poor getting poorer. In these big existential crises, the rich have got richer, a lot richer. In the years following the Global Financial Crisis, the world's richest 1% increased their wealth until they owned more than the bottom half of the world's entire population. Top investors made billions by buying up shares in failing banks, betting against housing markets that were foreclosing on the mortgages of the poor, basically "buying when there's blood in the streets" to realize massive gains during recovery. The pay of the FTSE 100 chief executives has skyrocketed, unlike that of their workers. During the pandemic, the rich accumulated wealth, including from government procurement under emergency regulations with lowered scrutiny for corruption.

Oil and gas companies have made huge profits since the energy crisis began, and their chief executives continue to be paid millions, some of them many millions. Huge pay and benefits packages and dividends have enriched the chief executives and shareholders of the UK's water companies despite their abysmal record on tackling leaks, pollution and investment in new reservoirs.

We Need the Right (Left) Kind of Active Government

The Coalition and Conservative governments have certainly been active since 2010. They have actively failed to tackle inequality; they have acted to benefit the rich and harm the rest of us. Their actions speak much louder than their hollow words on levelling up.

An Active Labour Government could do so much to transform our society from the failing, unproductive, harmful state it is in, to one that promotes and, crucially, achieves the welfare and wellbeing of all its citizens. An active government that puts wellbeing first through tackling inequality would see spin-off benefits and savings across health, education, social care, law enforcement and more.

The Courage to Change

Labour should take heart from the progressive preferences of British citizens. When polled, the large majority of the public are in favour of progressive policies that are too often dismissed as radical, utopian, or unfeasible by the press or the Westminster bubble.

Close to 80% of the British public believe that the gap between those on high and low incomes is "too large" and this has been a consistent trend (varying between 72-85%) over the four decades that the British Social Attitudes (BSA) survey has been running. In 2018, the BSA concluded that "the public are likely to have more of an appetite for policies aimed at addressing poverty and inequality than they did a decade ago."

The majority of the British public want water, energy, rail, buses, Royal Mail and the NHS to be run in the public sector, and that includes the majority of Conservatives.

Recent academic research on public opinion research in "red wall" constituencies found consistently high levels of support for Universal Basic Income, even when the policy was presented to voters in terms used by its opponents. There is little evidence that voters with conservative social values – those in left behind communities in Labour's former heartlands – won't actually support radical social policy.

The vast majority of the public support action on climate change and they are much more worried about the costs of doing nothing than they are about the cost of tackling the problem.

The Triple-Win Manifesto

So what should the Labour Party do? We are not politicians, or even political scientists or policy experts. But we do know that Labour needs a bold and compelling vision that brings people onside by painting a picture of a society that can respond to the climate emergency while at the same time transforming people's lives for the better and creating sustainable growth.

What follows is by no means an exhaustive list, but six triple-win active policy options include:

- Joining WEGo, the Wellbeing Economy Governments (currently Canada, Scotland, Iceland, New Zealand, Wales and Finland), a collaboration of national and regional governments promoting sharing of expertise and transferrable policy practices for building wellbeing economies. It is growth in wellbeing that we need, not growth in GDP.
- Committing to actually tackling inequality by taxing wealth, top incomes and financial transactions
- Giving people resilience and stability through a universal basic income and a proper living wage.
- Enacting the Socioeconomic Duty of the 2010 Equality Act
- Promoting fair work and economic democracy within a Green New Deal
- Putting children and young people at the centre of policy: recommit the country to ending child poverty; end selective education and remove charitable status from private

schools; properly fund the comprehensive education system; enshrine in law universal free school meals and free holiday meals for families on benefits; and close the digital divide

Labour needs to act fast and boldly, with energising urgency, to make sure that the policies needed to tackle the climate emergency are politically acceptable to the public because they can see that they are part of a transformation to a fairer, better society in which they and their children and grandchildren can flourish.

What inspired progressive political change in the past was a vision of socialism, embodying the belief that a better society is possible for all of us. The loss of that ideal has meant political hope has dwindled for so many. Labour must build a new vision, firmly built on the foundations of an egalitarian and sustainable society.

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THE DUTY WE OWE TO OUR NEIGHBOURS IN NEED

It is time to restore our commitment to end child poverty for good.

RT HON. GORDON BROWN

It will be 80 years in December since the Beveridge report was published which promised every family and every pensioner, "Freedom from Want Disease, Ignorance, Squalor and Idleness'. And it was the Labour government of 1945 that then created the NHS to deliver free universal healthcare based on need – not the ability to pay – and set up the modern social security system designed to take the shame out of need.

And in the decades that followed, there was an assumption that no political party would break the post-war consensus created by Labour that a welfare state was there when people needed it – and most of all for those with the greatest needs.

But now under the current Conservative government, we are seeing poverty that no one thought they would ever see again. It is poverty that is even more striking than what I saw when unemployment hit the mining and textiles town in which I grew up.

And today's poverty is even more unacceptable because it exists, not because we are a poor country, but rather because in one of the world's richest countries the divide between those with and those without has escalated over the last decade.

This ongoing poverty crisis is sending children back to school ill-clad and hungry, forcing fearful pensioners to choose between heating and eating, and millions are dreading the coming winter because they will not be able to make ends meet. The accounts of staff at my local family centre in Kirkcaldy include children with no bed or even blankets and only the floor to sleep on.

It is a poverty that is threatening to expand beyond low income households into middle income homes and creating a generation of young people not just losing out and going without – but left out – and unable to afford activities their school friends are doing.

In October, when despite the promise of an energy price freeze, fuel bills are slated to rise 25% after a previous 60% hike in January. All told, 4.1 million families will be paying an unprecedented 20% of their income on fuel bills from October. The figure will be 7.5 million by next May, and 2.2 million families will be charged a virtually unplayable 30% of their income in October, rising to 3.8 million families by next May. And now, for the first time in decades, the main social security benefits – Universal Credit – according to Loughborugh University's new study, now cover only half of what we would describe as the basic needs of a family with children.

We have moved from a decade where austerity was the official policy of the government to a second decade where without announcing it and often denying it Conservative ministers are

standing aside as poverty rises at precisely the moment they should be stepping up to help.

And now, for the first time since 1945, government public information sites are redirecting people from the welfare state to external charities. And it is the food bank and not the welfare state that is the last line of defence for Britain's poor. It is charity not the Department for Work and Pensions that has become the life line. It is voluntary help not the social security system that is the last resort.

When we hear of privatisation, we are conditioned to thinking of railways, buses, telecoms and utilities moved into private hands – the basic assumption being that market forces will enter in and provide a service previously guaranteed by the state. The social fabric which has for years has been knitted together is now being torn apart thread by thread. And over the last decade, we have witnessed the unannounced and creeping privatisation of welfare – a sadly unmistakable downward trend whose origins lie in engrained prejudices that in speeches and writings the new Prime Minister has attempted to popularise, targeting the needy as lazy, work-shy and part of a dependency culture.

But the public do not agree. When asked how badly or well the government is doing at addressing its challenges, poverty alongside the cost of living crisis is the issue where complaints are greatest. What is more, an overwhelming majority of the British public – 70% – now think the relief of poverty is in the top three issues facing the country. In some areas like Scotland,

Wales, and the North, it is the number one issue. But even in the wealthiest parts of England, the concern is now rising so fast it is moving right to the top of people's agenda.

It is time for the government to take action before a further intensification of poverty hits our country come winter.

All the evidence is that solutions to poverty cannot be achieved by Truss trickle-down economics – by tax cuts for the rich that will never materialise in benefits for the poor. Nor can it be solved by retreating into a separatist agenda because it is only by pooling and sharing across the whole of the country that we find the resources to attack poverty.

And so it is time for the U.K. to restore the commitment made in 2000 to end child poverty and to match that with a promise to abolish pensioner poverty. The last Labour government did not do all we set out - and hoped – to do, but we were on the way to abolishing pensioner poverty. And in addition to introducing nursery education for all, Sure Start, educational maintenance allowances, and the Child Trust Fund, we raised child benefit, introduced child tax credits, and halved child poverty on the road to its abolition.

The gaping hole in the Conservative government's "Levelling Up" agenda is the failure to ensure that every child in every part of the country has a fair start free of poverty. Keir Starmer has announced that he will cap fuel prices at £1,971, reform the warm home discount scheme, and end the injustice of higher

tariff cost for prepayment meters.

It is Labour's contention and the mark of a civilised society that every child have the chance to realise their full potential – to bridge the gap between what they are and what they have in themselves to become – and that every pensioner can enjoy a dignified old age free of poverty. We owe our neighbours in need nothing less.

BUILD BACK FAIRER:

How to put Equity of Health and Well-being at the Heart of Active Government

MICHAEL MARMOT

"Each morning, as they read the newspapers over breakfast, one of them would share an item ... and they would sigh or go silent. On some days, while reading out an item of news, Katia would say that this was the worst yet, only to be corrected by Erika, who would have found something even more outrageous."

This could be describing Britain in the years up to 2022, and the Tory leadership election. In fact, it is from Colm Toibin's brilliant novel, The Magician, based on the life of Thomas Mann. Mann, Germany's most famous writer, is a target of the Nazis. He, his wife Katia and daughter, Erika, are exiled in Switzerland, watching impotently as things go from bad to worse in Germany.

Not Nazi Germany, but in Britain in 2022, the bad news we pass from hand to hand, is still outrageous. Of all the problems besetting Britain, the one that exercises me the most, and the one least discussed by the government and prime minister-to-be, is the state of the nation's health – health, not the NHS. Health is important for at least two reasons. First, everyone is concerned with health, for themselves, their family, and their community. It is part of the reason that the NHS has such an important place in Britain's values. But population health is only in part dependent on access to effective health care.

Far more important are the social determinants of health: the conditions in which people are born, grow, live, work and age; and inequities in power, money and resources that give rise to inequities in conditions of daily life. This insight leads to the second reason health is so important. So close is the link to health of social determinants of health that health is a measure of how well we are doing as a society. It captures so many of the other crucial areas of society. If health has stopped improving, it implies that society has stopped improving. If health inequalities are increasing inequalities in society are increasing.

Health inequalities did increase after 2010, and health in the most deprived areas got worse. Further, health and health inequalities got worse during the pandemic. Now health equity is severely threatened by the cost of living crisis; see our UCL Institute of Health Equity (IHE)report Fuel Poverty, Cold Homes and Health Inequalities. The idea that tax cuts are the solution to this, and all other problems is dangerous, for reasons that I will set out. My analyses are based on two reports we, at IHE, produced: Health Equity in England: the Marmot Review 10 Years On and Build Back Fairer: the Covid-19 Marmot Review. We set out what went wrong with health, and why, and what we should be doing to improve health and achieve greater health equity.

We know what needs to be done. In those two reports we laid out six domains of recommendations:

- Give every child the best start in life
- Education and life-long learning
- Employment and working conditions

- Everyone should have at least the minimum income needed for a healthy life
- Healthy and sustainable places in which to live and work.
- A social determinants approach to prevention

To these six, we have now added two:

- Tackle discrimination, racism and their outcomes
- Pursue environmental sustainability and health equity together

There it is. That should be the vision and the agenda for creating a society with greater equity of health and well-being. It is the way to Build Back Fairer. Let's not confuse means and ends. Discussions of the kind of society we want should not be degraded into what the level of taxation should be.

Britain did the experiment, launching a decade of austerity in 2010. UK public expenditure went from 42% of gross domestic product (GDP) in 2010 to 36% of GDP by the end of the decade. Plausibly, regressive cuts in public spending after 2010 were responsible for an increase in health inequity and life expectancy falling for the poorest people. I want to ask ideological tax cutters: why are they not prepared to come out and say that damaging the public health and creating greater inequities of health and wellbeing is the price society has to pay to meet this obsession? The tax-cutting zealot might note that the UK is not a high-tax country.

Data from the International Monetary Fund show government

revenue as a share of GDP to be 52% in Finland and France, 50% in Sweden, 46% in Germany, and only 36% in the UK. The USA lags at 31%.

To build back fairer along the lines of the recommendations above – the Marmot 8 – we need to examine what happened in the decade of austerity, what needs to be put right.

In the decade after 2010, child poverty after housing costs in England rose from 27% to 30% (poverty defined as <60% median income), as a direct result of changes to tax and benefits. Other countries do things differently. UNICEF's Report Card 16 highlighted what factors shape child wellbeing; in 41 mostly high-income countries, average child poverty in 2018 was 20%. Ranked 1–4, the countries with the lowest poverty at 10–11% were Iceland, Czechia, Denmark, and Finland. Ranked 40 and 41, with child poverty at 32–33%, were Romania and Turkey. The UK ranked 31 out of 41, with child poverty at 24% (a different mode of calculation to the 30% I mention above); the USA, with 30% of children in poverty, ranked 38 out of 41. Before redistribution through tax and benefits, child poverty in Finland was higher than in the USA. It is government policy in Finland to use fiscal and social policy — tax dollars — to reduce child poverty.

It can also be government policy to increase expenditure on good child development. The average spend on children aged 0–5 years in countries in the Organisation for Economic Co-operation and Development is about US$6000 per child. In Norway, it is

a little over $12 000. In the UK, it is around $4000, but not as low as in the USA at closer to $3000. We are limping along, not the worst, but below average. Is that where we want to be as a country?

Per pupil spend on education in England went down by 8% in the decade after 2010. Cut taxes to cut it further?

There were regressive cuts to local government spending: 16% reduction in the least deprived fifth of local authorities, a shocking 32% in the most deprived fifth. Cut local services even more?

Public sector pay did not keep up with inflation. Make public sector workers even poorer? If someone becomes unemployed in Denmark they receive 90% of their previous salary, in the Netherlands 75%, and in Germany 60%. In the UK, Universal Credit is 14% of median pay. Immiserate the unemployed even further?

Funding of the NHS, with an annual increase of about 1% a year since 2010, fell below the historical trend since 1997 of about 3·8% a year, despite the population increasing and getting older. Cutting taxes would surely result in an even bigger shortage of the health workforce and longer waiting lists.

It was as relatively low-taxed countries, with high levels of social and economic inequality, and threadbare public services that the UK and USA faced the COVID-19 pandemic. And these two countries did really badly.

In England, a comparison of life expectancy in 2018–20 with the previous triennium showed a fall in the most deprived 40% of areas. A reasonable interpretation is that the pandemic led to worse health overall and increased health inequality. Among 20 high-income countries, the USA had the biggest fall in life expectancy in 2020 and 2021, followed by Scotland, Northern Ireland, Germany, and England and Wales. My speculation is that the link between poor health performance pre-pandemic and poor management of the pandemic works at four levels: poor governance and political culture, high levels of social and economic inequalities, low and diminished spending on public services, and poor health that predisposes some people to more severe COVID-19.

Suppose that we agreed that equity of health and wellbeing is a worthwhile social goal that our political and social arrangements should deliver. The UK, along with the USA, are rich countries with relatively low levels of taxation and relatively high social and economic inequalities. Evidence on the social determinants of health provides ready explanations for why their population health has been relatively poor and health inequities have increased. A degraded discussion about taxation levels should not be the currency of political debate. Surely, a more worthwhile debate is how to increase and sustain health equity and wellbeing.

In short, to build back fairer.

THE SOCIAL INVESTMENT STATE

Labour Needs To Unite Its Economic & Social Agendas To Lead The Country Out Of This Deep Malaise

CLARE MCNEIL

This winter millions are headed towards barely imaginable levels of hardship, due to high inflation, falling real pay and the high cost of essential goods. Alongside this we are witnessing the morbid symptoms of a country overwhelmed by the supply shocks of Brexit, the legacy of the Covid-19 pandemic and multiple, longstanding failures of government and governance, from decarbonizing the economy, to reducing regional inequality and loosening Whitehall's centralising grip on power.

The country is also mired in the failure of over a decade to sufficiently invest in our public services and welfare state and, just as importantly, to reform and reimagine them.This is needed to tackle both the new and persistent 'social deficits' we face as a country, from the slowdown in the lengthening and quality of life experienced across the UK, to growing inequalities in access to care for young and old, and who provides this.

If successful at the next election, Labour has promised a 'new approach to investment' for public services, focusing on productive investments in education, social care, health prevention, mental health and the health and care workforce. More plans are likely to follow for affordable childcare and housing. Similar 'social investment' agendas have recently underpinned winning

election strategies for social democrats Olaf Scholz in Germany and Anthony Olbanese in Australia. And as well as offering up voter-friendly proposals, social investment state thinking provides solutions to the many of the 'new social risks' of postindustrial societies, from the impacts of ageing populations, globalisation and technological change on the labour market to meeting caring needs and changing family norms.

But in the 2020s, a social investment agenda alone will not be enough to rescue the UK from its deep malaise. From a lack of affordable housing to growing educational inequalities, an ever-growing number of social ills are now produced and reinforced by inequalities in wealth and power. These have intensified over decades as a result of the UK's shift to a finance-led growth model and the structural dominance of economic activities organised around the control of scarce assets, including property and land.

Labour's social investment approach should therefore be combined with another set of proposals being advanced in policy debates: Thomas Piketty's 'transcending capitalism' blueprint which overlaps with 'new economy' or 'democratic socialist' demands to improve basic economic rights and democratise ownership and power. As Celia Kerstenetzky has argued, combining these agendas, and their contrasting assessments of problems and possibilities, has greater potential for improving equality of opportunity than either agenda can achieve alone.

Take housing, for example. The last two decades have seen the rapid growth of the unregulated private rented sector and a

drop in the proportion of people living in social housing and as owner occupiers. Housing costs for those living in the private rented sector have risen by almost half (48 per cent) in real terms over the same period, while costs for mortgagers have fallen in real terms due to what have until recently been historically low interest rates. This in turn is contributing to widening inequality, with a growing 'locked out' group formed disproportionately of working families with children being pushed into poverty, while helping to grow the wealth of an inside rentier class of private landlords.

A social investment agenda would place the emphasis on boosting housing supply, helping to reduce prices in areas of high demand and create new stock of social housing. But as the Joseph Rowntree Foundation have shown, even on the most ambitious timescales it would take a decade to replace the social housing stock lost through the Right to Buy policy since the 1980s alone. We can achieve more - more rapidly and at greater scale - by also focusing on the ownership and distribution of the existing 25 million homes in the UK. This means for example addressing the macroeconomic conditions that have driven the distortions of the past two decades and introducing measures to create more alternatives to private renting by socialising existing housing stock to be let out at affordable rents.

A similar blend of social investment and new economic thinking is needed to improve life chances. The educational disadvantage gap has not been reduced in the past 20 years, with 16-year-olds who are eligible for free school meals still around 27 percentage

points less likely to earn good GCSEs than less disadvantaged peers. Income is an even more important predictor of GCSE attainment than place, with a 16-year-old's family income more than four times as strong a predictor as the local authority they live in. Decades of evidence from the UK and internationally suggest this can be narrowed through investment and reform.

But given the diminishing importance of earned income in relation to intergenerational wealth transfers in securing social and economic capital and credentials, we have to go further to achieve greater equality of opportunity. We also need measures that will challenge increasing concentrations of wealth at the top, such as a universal minimum inheritance for all 25 year olds, which would help to equalise the 'opportunity effect' of holding assets.

The same approach is needed across childcare, where expansionary investment is needed alongside a new approach to ownership, to address inequalities of access and quality and the debt-fuelled expansion of for-profit groups which risks the sustainability of provision in the sector. The same is true if we want to build a new national care service that will offer improved quality of care, yet where the emergence of large private providers contrasts with evidence that small nursing and residential homes provide better care and spend more on training for staff, have lower turnover and higher pay.

The welfare state emerged as a synthesis of social and economic policy, enshrined in the UK in the Keynes and Beveridge

settlement of the 1940s and beyond. Yet in each of its recent incarnations, from New Labour in 90s and 2000s, to Miliband in 2015 and Corbyn in 2017/2019, Labour's economic and social agendas have never convincingly been brought together. Now, even more than in these previous periods, this is precisely what is needed to tackle some of our most intractable challenges.

Labour has recognised this, for example with Sir Keir Starmer recently arguing that strong public services should be at the centre of efforts to invest in the long-term growth and productivity of the country.But currently, advocates for social investment state and new economic thinking too often speak past each other and their political differences are overplayed.

Combining an established social investment approach with emerging economic thinking is more likely to produce lasting reform and to lift the country out of this deep malaise. While it may not be a pre-condition for electoral success, it can help form the basis of a durable and transformative governing agenda, and this must be Labour's long-term aim.

FAIR AND SQUARE:

A Reasonable Approach to Splitting Bills and Taxing Wealth is Key to Sound Finance and Fair Taxes

ARUN ADVANI & ANDY SUMMERS

Given the existing pressures on government finances, and – after years of austerity – the public's distinct lack of appetite for further cuts to spending, recent promises to slash taxes will not survive contact with reality. Tax rises are inevitable over the coming decade, whoever is in power, and the key question is who will pay. Instead of reaching for familiar levers that fall on regular workers, there is another option.

Our research shows that substantial revenue can be raised from taxing the wealthy. If done properly, taxes on wealth are an effective tool against inequality and can be implemented without harming the economy. With good design, they can also be made very difficult to avoid, and so play a crucial role in ensuring that the richest pay their fair share.

The usual suspects

When looking for new revenue, politicians of all parties tend to reach for a tried-and-tested playbook: increase the main rates of one of the 'Big Three' taxes – Income Tax, National Insurance Contributions (NICs) or VAT.

Rishi Sunak's decision to increase the rate of NICs by 1.25% was just about the worst way to raise additional revenue. NICs taxes workers without taxing the wealthy, taxes the young more than the old, and drives an even bigger wedge between employees and the self-employed. Fiddling with rates does nothing to correct these flaws. And Sunak's rate rise also did nothing to address the 'quirk' that means the NICs rate actually falls by 10% for those with the highest earnings.

We have argued that there was a much better way to raise money from NICs, which would have corrected rather than exacerbated its current flaws. Instead of increasing the main rate, NICs should be applied to all sources of income rather than (as at present) only to the earnings of those below pension age. Pensions themselves would be exempt, on the basis that NICs have (usually) already been paid 'on the way in'. But under our proposal, investors and working pensioners would have to pay NICs in full, just like the rest of the working population.

Doing this would raise £12billion – the same amount that the Conservative Government chose instead to raise from regular workers. To raise another £20billion, the government could also remove the regressive 'cap' on contributions by the highest earners, which currently tops out at 3.25% above £50,000 even though workers on lower salaries pay 13.25%. Together, this would be £32billion that a progressively-minded government could raise as a direct alternative to existing policy on NICs.

The status quo isn't working

While many of the oddities listed above are particular to NICs, there is one aspect that applies more broadly across the tax

system: work is taxed much more heavily than wealth. This has two effects on inequality.

First, it means that in practice the tax system is substantially less progressive than headline rates suggest even when NICs are factored in. Our research using confidential tax records has shown that in 2016, the average person with total remuneration of £10 million had an effective tax rate of just 21%: less than the rate that would be paid by someone on median earnings of £30,000.

Second, it creates unfairness even among people who have very high incomes. A quarter of those with total remuneration of £1 million paid the headline rate of around 47%, but one in ten paid a lower effective tax rate than someone earning just £15,000.

Much of this is driven by the lower rates of tax on wealth. This is particularly problematic because wealth has been growing much faster than income. Ownership of wealth, rather than access to high paying jobs, is therefore the key to financial success. Inheritances have become increasingly important, relative to earnings, in determining lifetime resources. This would be damaging for social mobility even if inheritances were taxed well, but the government's own advisors, the Office of Tax Simplification, have shown how the effective tax rate on estates actually declines with increasing wealth above £2 million, to just 10% for estates above £10 million.

Priorities for reform

So what should a new government do? After fixing NICs, there are three obvious reforms needed to taxes on wealth.

First, Capital Gains Tax (CGT) rates should be aligned with taxes on income, including NICs. Low rates for those who happen to be successful are not an effective way to incentivise investment. The ultra-low 10% rate for owner-managers – now renamed BAD Relief, which tells you everything you need to know – has been costly, poorly targeted, and encouraged excellent employees to set up as mediocre managers in order to benefit from the tax break. An equalised rate with an indexation-allowance that gives credit for capital actually put at risk would be much more effective. And any reform to CGT must end the nonsense that CGT bills are wiped out if someone can afford to hang on to the assets until their death. Making these reforms would raise a further £16billion.

Second, the major gaps in Inheritance Tax (IHT) must be plugged. This means scrapping or capping the reliefs that allow agricultural and business property to be passed on tax free. It also means scrapping the more 'middle class' benefit that allows untouched pension pots to be passed on, thereby encouraging people to save not for old age but as a tax-free route to make bequests. Removing these reliefs would increase the tax take from IHT by more than 60%, raising almost £4billion in additional revenue. Any reform should also extend the tax on large gifts beyond the current seven-year window, to remove early giving as a planning opportunity for the wealthiest.

Third, property tax in the UK needs reform. Council Tax is based on values that are more than thirty years out of date, and the rate structure is heavily regressive, so that someone in the lowest Council Tax band pays an average of 1.7% of the property value in tax each year, while someone in the highest band pays just 0.2% on average. Restructuring the tax to be 0.5% of property value would raise the same amount of money overall, but much more fairly.

This reform has more households directly affected than either CGT or IHT, which is presumably why no government has touched the issue for three decades. But with housing making up a third of UK wealth, and treated exceptionally in CGT and IHT, this is an issue that cannot be ignored. The Fairer Share campaign have made proposals for how a transition to this system could work.

Tackling top-end inequality

Extending NICs and reforming existing taxes on wealth are 'easy wins' that are straightforward to implement. But they are unlikely to dent the extreme inequality at the very top, because the very wealthiest can afford to hang on to assets, and borrow against them rather than selling them, thus not paying CGT.

For this reason, the Wealth Tax Commission recommended that an annual Wealth Tax would be justified on extreme wealth, if a government was aiming to reduce wealth inequality. A Wealth Tax of just over 1% on individual wealth above £10million would raise £10billion from the wealthiest 0.04% of the population. The small number of taxpayers makes the administrative costs of tractable (around £3million a year for government), allows the tax to be designed in a 'high quality' way that avoids unfairness in how different asset classes are treated, and eliminates concerns about taxing 'ordinary' savers.

A policy win-win-win

This issue [of Tribune] highlights a range of challenges for a future Labour administration, together with a suite of policy actions to tackle them. Whilst crucial, such actions don't come cheap. Fortunately, taxing wealth better can provide a solution to this dilemma. The reforms that we have proposed would bring in serious cash – around £60billion in total. They would also reduce wealth inequality, whilst improving economic efficiency at the same time; unusually in tax policymaking, there is actually no trade-off here. Finally, if implemented properly, our reformed taxes on wealth would be very difficult for the rich to avoid, helping to restore public trust in the wider tax system as well. What's not to like?

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FAIR NECESSITIES:

Defining and Communicating Fairness Well Can Build Support for Change

WILL SNELL

Picture the scene. Aristotle, Jane Goodall and Judge Rinder meet at a party. What would they talk about? I'd put money on fairness. Aristotle would be rehashing his old argument from 330 BC that "equals should be treated equally and unequals unequally in proportion to the relevant inequalities". Jane Goodall's eyes would light up as she talked about research showing that capuchin monkeys in South America show an inbuilt sense of fairness. Judge Rinder would protest about exorbitant CEO pay, as he did on Good Morning Britain in August: "it doesn't matter what your political complexion is, what the great British public care about is fairness."

An innate sense of fairness is hardwired into us, because humans evolved by building large social groups that depend on fair co-operation and rewarding positive behaviour. Study after study shows that fairness is at the top of most people's priorities for society. Its absence animates almost every public and political controversy, from the cost-of-living crisis and climate breakdown to Partygate and the unequal impacts of COVID. We all know what unfairness looks like. So why can't we come together around a positive vision of fairness, and use that as a widely supported organising principle for society and the economy?

I think there are two reasons.

The first is that many people have different conceptions of fairness, so the prevailing wisdom is that fairness is too nebulous and subjective to be a useful framework. It is easy for participants in a debate about fairness to talk past each other. Some focus on fair process, others on equal outcomes, others on equal opportunities.

The second is that fairness has been used and abused to justify actual or proposed policies that are manifestly unfair – fairwashing, if you like. Austerity. The rearguard action against net zero.

But there is a latent consensus, waiting to be tapped. As More in Common argued in Britain's Choice in 2020, "there is a consensus on the need to address inequality that transcends political divisions and reflects majority views... what is striking is how much common ground there is between those who emphasise systemic inequality and those who emphasise personal responsibility... most believe that the economy does not afford enough opportunity for those who work hard and want to get ahead... [and] integrate a belief in personal responsibility [with] the need to do more to reduce inequality."

There is an opportunity to use this common ground as a foundation to build a vision of fairness that attracts broad-based popular support. There's no denying that fairness is a multifaceted concept. But that doesn't mean it is impossible to define.

Last November, we published The Fair Necessities, which proposes a five-pointed definition of fairness:

- Fair essentials – Everyone should have their basic needs met so no-one lives in poverty, and everyone can play a constructive role in society
- Fair opportunities – Barriers that prevent people from having equal opportunities should be removed so everyone has a decent chance to succeed in life
- Fair rewards – Everyone's hard work should be rewarded on the basis of their contribution to our society and economy
- Fair exchange – Everyone should contribute to society by paying the taxes they owe, and should be supported by society when they need it
- Fair treatment – Everyone should be treated according to need, and should enjoy equal respect and influence on decisions made in their name

These five principles are complementary; they aren't mutually exclusive. They are popular, attracting support across political and demographic lines in polling we carried out in April. Underlying all of them is the notion that substantial levels of inequality are unfair. Unequal outcomes are only fair if there are equal opportunities, but very unequal outcomes in one generation lead inexorably to unequal opportunities in the next.

We can all agree that we can't build a fair society without reducing inequality from its current levels. And this view is more popular with the public than you might think. Our polling in

April found 83% agreeing with the need to reduce inequality to support fairer opportunities. Even Conservative voters prefer reducing inequality to letting the market dictate outcomes – by a factor of more than two to one. But perhaps this is unsurprising. Fairness is a necessary condition to enable people to enjoy opportunities, to develop their capabilities, to exercise agency and personal responsibility. And the viscerally unequal impacts of the pandemic have made the absence of fairness obvious to everyone.

In October we will publish the UK's first ever Fairness Index, to paint a more detailed picture of how (un)fair society is now, and to suggest practical solutions to build a fairer country. The Fairness Index will show that wealth inequality is at the root of unfairness, for three reasons.

Firstly, its severity. Wealth inequality is twice as high as income inequality. The richest fifth of the population own 63% of the country's wealth; the poorest fifth own 0.6%. Men have 40% more wealth than women. White households are four times more likely to have more than £500,000 in wealth than black African households.

Secondly, its causes. Most increases in wealth over recent decades have been 'passive' (driven by increases in the asset values of existing wealth) rather than 'active' (due to saving or other activities suggesting the application of talent through hard work). Inheritances play an increasingly important role in determining life chances and outcomes.

Thirdly, its consequences. Wealth inequality is a barrier to the achievement of all five of the 'fair necessities':

- It allows poverty to reach unacceptable levels, undermining fair essentials.
- It leads to educational and job market inequalities, undermining fair opportunities.
- It undervalues many forms of work, undermining the social contract and fair rewards.
- If not properly taxed, it weakens public services, undermining fair exchange.
- It leads to egregious inequalities across class, racial, gender, regional and generational divides across every aspect of our society and economy – from democracy and the environment to health and criminal justice – undermining fair treatment.

The Fairness Index will highlight three priorities for building a fairer society, all based on the principle of fixing the broken markets that entrench wealth inequalities:

- Making jobs better (including action on low wages, job security, conditions, equal pay and opportunities, worker representation, and support for those unable to work)
- Making the essentials affordable (including housing and childcare as well as energy)
- Taxing wealth better (including reforms to council tax, inheritance tax, tax reliefs and anti-avoidance measures as well as taxing income from wealth like income from work)

Addressing these market failures can help to repair the damage done to the social contract, to prosperity and growth, to public services, to health and wellbeing, to democracy and social cohesion, to our environment.

There is an opportunity to build a platform based on a shared understanding of the problems caused by excessive inequality and of some of the solutions needed to reduce it (rather than merely compensate for it). Fairness, properly defined and communicated, can help to build the broad and deep public support that is needed to bring these changes about.

STRONG COMMUNITIES
NOT DIVIDE AND RULE

A NEW MODE OF PROTECTION:

Re-Imagining Policing for the 21st Century

RICK MUIR

It's almost 200 years since Sir Robert Peel founded the Metropolitan Police. He did so in response to the social tumult unleashed by the industrial revolution, which meant that the country's long standing and largely voluntary policing arrangements were simply incapable of maintaining order in a society based on factory work and experiencing rapid urbanisation. Two centuries on we are living through a new revolution, the digital revolution, whose impact on the way we live is at least as significant as that in Peel's time and yet our policing institutions remain largely unchanged.

A recent independent review of the police service, chaired by Sir Michael Barber and carried out by the Police Foundation, concluded that society is changing in ways that require radical reform to the way we police and, more widely, to the way we go about promoting public safety.

The first thing to note is that traditional crime (all crime excluding cyber crime and fraud) has fallen by 70% since 1995. We have seen huge falls in violent crime, burglary and car theft over the last three decades. In place of those traditional types of crime, the internet has become an entirely new arena for crime and harm. In the year to March 2022 44% of all crime affecting victims in England and Wales was just fraud (most of which is

cyber-enabled), and fraud and cyber crime made up 53% of crime. And yet our policing institutions have yet to catch up: less than 1% of the police workforce specialises in economic crime and just 0.6% of reported frauds result in a conviction.

It is not just technology that is changing the context. The police are now asked to respond to a whole set of complex social problems, such as missing person incidents and mental health crises, that are stretching both their capacity and capabilities. Victims of previously marginalised forms of violence and abuse, particularly against women and girls, are now rightly demanding that these crimes are taken seriously. This has transformed the nature of police investigative work. Finally, climate change is generating enormous natural, political and social turbulence which poses a challenge for those charged with keeping the peace and responding to natural disasters.

How should we respond to these new challenges? First, there is a capacity challenge: the police cannot successfully deal with these matters on their own. As a generalist emergency response service they will always be required to respond to a whole range of social problems, most of them not related to crime. The solution is to mobilise a wider range of social actors in seeking to prevent these problems from happening in the first place. As the first step towards doing this the Barber review recommended establishing a new Crime Prevention Agency, whose remit would be to develop a much more systematic approach to preventing crime and wider harms. In particular the new agency should be focused on driving down exploding volumes of fraud and cyber

crime and would have powers to make businesses act to prevent these types of crime.

Second, we need a police service that has the right capabilities to tackle the changing mix of public safety threats we face. Most importantly the police need legitimacy and to rebuild public trust, which has been damaged by a whole succession of scandals in the Met as well as a long legacy of institutional racism. This means restoring proper neighbourhood policing to re-connect the police with local communities, it means reforming the police misconduct system to ensure bad officers are removed quickly and it means strengthening leadership development programmes at all levels, so that police leaders from sergeants to chief officers are equipped to call out bad behaviour and tackle toxic cultures wherever they exist.

Police officers and staff also need the right skills to be able to tackle future challenges. We identified significant gaps in people skills (essential to improving legitimacy), digital skills and investigatory skills. There is currently a national shortage of 7000 detectives. To tackle these skills gaps we need greater workforce planning at the centre and to expand the entry routes into policing. We also need a radical overhaul of police learning and development. Police officers and staff are clear that the quality of training they are offered is not good enough and is more designed to meet the short term tactical needs of their organisation rather than their own development as professionals. As with the medical professions policing needs a culture of career long learning and development and there should be an

expectation of high standards. We should introduce a Licence to Practise for police officers to ensure that they are continually refreshing their skills and meeting the standards that the public, and most police officers, expect.

Finally, policing lacks the organisational platform to deliver the capabilities required. Most crime is now online and yet 95% of the police budget goes through 43 local police forces which lack the capability to tackle cross border and internet enabled crime. Local forces should focus on local policing (neighbourhood policing, 999 response, local crime) while specialist functions (firearms, cyber crime, economic crime etc) should be delivered through new regional police units, where all the evidence suggests they can be provided much more consistently and effectively.

The national landscape needs to change: there are too many bodies, few of whom have any powers to achieve their goals. There should be three bodies at the national level: an organisation to prevent crime (our Crime Prevention Agency), an organisation to tackle serious and organised crime (an expanded National Crime Agency) and an organisation to improve policing (a reformed College of Policing with powers to drive change).

In 1828 Robert Peel told parliament that 'the time has come when from the increase in its population, the enlargement of its resources, and the multiplying development of its energies, we may fairly pronounce that the country has outgrown her police institutions and that the cheapest and safest course will be found in the introduction of a new mode of protection.' Given the enormous changes being wrought around us today, we need to be as radical, as creative, as imaginative as Peel was then in rethinking the way we provide public safety.

The prize, if we can grasp it, is a great one: to renew for our time the great promise of the Peelian model, a form of policing which aims to serve rather than to oppress the people, and that can continue to be an example to the world in the great art of reconciling order with liberty.

COMMUNITY, CONNECTION, CAPITAL: AN ECONOMICS OF ATTACHMENT

JESSICA PRENDERGRAST

Every day in my small, coastal, 'left behind', town in the peripheral South West, on at least ten occasions, I 'stop-and-chat' to someone. They might be passing me on the railway crossing or grabbing a coffee. They might be walking their dog or buying a pint. We talk about everything and nothing: the muddled-up weather, if the town is busier or quieter than last year, energy prices, anxiety about the winter, political dithering. But these are not conversations with friends. Although we have often 'stopped and chatted' for years, sometimes I don't even know their names. These are simply the casual interactions of everyday life in a place with a strong community.

During Covid, this community acted as the first line of defence. Its social nature was a source of resilience and purpose and reflected that we have social capital in abundance. At the last count, more than 140 social or community organisations and initiatives operated in the town, which has only 5000 residents – from the community choir to a knit-and-natter group, and from sea scouts to social enterprises. This web of connection meant that the community was able to cooperate, innovate and provide solutions, often faster, smarter and at lower cost than either the centralised state or the disconnected market. During the first lockdown, for example, when hard infrastructure failed, our

strong, well-linked community rapidly re-deployed resources and developed mechanisms, networks and processes to help – setting up phone lines, training volunteers, enabling payments, delivering essential food and medicine, and offering emotional support. In all this, it was social capital – shared connections, relationships, networks – in which repeated community interactions had built the trust, care, friendship and reciprocity that made the community capable of organising itself. It is dense, multi-layered, distributed and serves to connect and protect the most vulnerable.[10]

In his excellent book, Palaces for the People (2020), Eric Klinenburg argues, however, that it is not social capital alone that matters, but rather 'social infrastructure'. According to Klinenburg, robust social infrastructure fosters social capital and supports community life. By contrast, degraded, weak social infrastructure inhibits social activity, leaving families and individuals to fend for themselves. Shoddy social infrastructure discourages interaction and impedes mutual support while places where casual interaction is a feature of everyday life do better. 'Left behindness' is, in this sense, social as well as economic. It encompasses social infrastructure. And as multiple crises loom from extreme energy poverty to climate catastrophe, the implications are obvious.

Instinctively, we think of social infrastructure as predominantly within the public sector or voluntary and charitable sectors (represented by schools, libraries, hospitals, parks and by

10 Onion Collective CIC, the social enterprise co-founded by Jessica Prendergrast, is working to develop a community tech platform which reveals, interrogates and supports social capital in places, see http://www.understory.community for more information.

churches, community organisations, cultural hubs). But the experience of Covid highlighted a different story – that what matters most is whether something supports associational life and with it community attachment. Local publicans repurposed their kitchens to provide meals for the elderly and those isolating. Greengrocers delivered parcels to doorsteps. Taxis became community cars. Social infrastructure, it was clear, cross-cut tired sectoral boundaries: cafes, hairdressers, bookshops, and pubs played vital roles, not just in the everyday economy, but in supporting life-saving connections. The duality between those involved in the community Covid effort and those not, was primarily one of attachment, built on sustained, recurrent interactions between people generating a shared connectedness to people, place and experience. In my town this infrastructure created huge resilience in a place which is nonetheless dismissed as 'left behind', with all its negative connotations.

Yet here the town's strong social capital and robust social infrastructure are, in part, a feature of this very 'left-behind-ness'. The economy has always been different here – more local, more distributed. It has always been out on a limb – coastal, rural, peripheral – perhaps more 'left alone' than 'left behind'. With few customers, with little money to spend, the market has never cared much for us and the financialised, rentier, neoliberal version of the economy that has done such damage to communities in recent decades has had less impact than in other places. We also retained our traditional industry – a heavy industry paper mill – longer than most, and with it a more attached economy. The mill made major contributions to the social infrastructure of

the place – building housing, libraries, public halls, chapels and much more and contributed to community life, cultivating a sense of shared history, identity and meaning that stretched across generations. This attached local economic role underpinned a strong community, and helped create jobs in which people felt value, connection and agency in their work.

Around the country though, a withering of interlinkages between economic and community life has meant our economy has become detached from who we are, what we need and what gives us security, meaning and agency—what gives us a sense of control. Instead, large parts of the economy have been released from the attachments to communities that had in some way acted as a constraint, even where they remain hosted in communities (private equity-owned care homes and retail property being the most obvious examples). Attachment theory teaches us that good, strong, solid relationships are what enable us to feel safe to explore, investigate and discover our place in the world. Without them, we focus our energy on relationships that are dysfunctional or missing, wrapped up in the present and focused on fear and hurt. The effect is witnessed in the reduction in belonging, connection and sense of value experienced in many post-industrial communities, expressed as resentment and grief[11], and in the anger, division and blame that characterises societal relations even in the places that are apparently sky-high on the 'levelling up' see-saw.

11 See Deborah Mattinson, Beyond the Red Wall: Why Labour Lost, How the Conservatives Won and What Will Happen Next?, Biteback Publishing, 2020 and John Tomaney, Lucy Natarajan and Florence Sutcliffe-Braithwaite, Sacriston: towards a deeper understanding of place, UCL, 2021.

But here, in my little 'left-behind' town, we have been insulated from some of these last few decades of 'progress'. Our attachments remain. In his new book, The Quiet Before (2022), Gal Beckerman talks about the gentle build-up of alternative futures that bubbles away in underground networks and peripheral places ready to fill the gaps when the system fails. We see this now: in places that have long been ignored by the market or where the state has historically played a smaller role, an alternative is already emerging.

The answers provided by the community enterprises and everyday businesses in 'left-behind' places, as well as the problems they face, tell us how the economy is already being reshaped, where reform is most needed, and perhaps most importantly, what could follow in the years to come. The focus is on associational life which encourages, embeds and broadens attachments in communities and rebuilds positive connections to economic life.

The policy prescriptions that fall out are complex and expansive, and get to the heart of economic frameworks – challenging norms of ownership, governance, resourcing and motivation. Plenty of levers exist including revision to institutions, company law, regulatory structures and investment strategies. Government could invest heavily in relational infrastructure and community and cultural assets – places which encourage gathering, connectedness and congregation and should only invest in physical infrastructure (from flood defences to transport) which can be designed to be pro-social. It could recognise that the entrepreneurial spirit is as much driven by a concern to maximise

social impact as to maximise profit, witness in powerful community and social enterprise innovation in 'left-behind' places, and it should redesign structures and funding to reflect their different incentives.[12] It could rebuild connected places by investing in community ownership of vital assets: supporting the mass 'buy up' rather than 'sell off' of unused properties on high streets and city centres. It could link capital to community: requiring every private sector beneficiary of government funds (including 'levelling up' funds) to give up some equity to the community in exchange – an entirely normal transaction in equity investment.[13] It could work to create decentralised networked systems of financing for local businesses, addressing the substantial market failure in the capital markets that constrains locally-hosted companies from investing in their places.[14]

More broadly, Government could incentivise the growth of a much bigger fourth sector of socially-conscious, attached businesses: for example, by changing tax rules to prioritise rather than penalise social enterprises – cutting corporation tax to zero for companies that are purpose- rather than profit-driven. It could promote forms of steward-ownership, encourage transitions to employee-owned companies and mandate workers on boards. Ultimately, it should seek to reform the prevailing systems to embed a values- not profit-driven economy, including by legislating hard for the triple bottom line (and adding a

12 Mariana Mazzucato, of course, has also argued that the state too is a driver of innovation, again counter to the traditional narrative.

13 With thanks to Hannah Sloggett and Wendy Hart of Nudge Community Builders for this idea.

14 David Boyle and Tony Greenham, People Powered Prosperity: Ultra Local Approaches to Making Poorer Places Wealthier, New Weather Institute, 2015.

fourth pillar of cultural and associational value which usually gets ignored).

Throughout, it should avoid the instinct to make community and associational policy (and social infrastructure) only about politics not economics – this is not about a more engaged local polity, it's about a more connected economy. In this way, by rebuilding associational life, by taking cues from the places where there is an established community-based drive to address inequality and environmental crisis, by reconnecting with economic life, a more distributed, local, attached form of economics can help us reconsider who is really 'left-behind' and what the 'progress' we want looks like.

AND NOW, OVER TO YOU...

We hope that you have found these articles stimulating. But we don't want this to stop here - if you've been inspired by what you've read, we hope you will discuss them in your local organisations and feed your ideas into the party's policy process.

Only a Labour government can bring about the change our country needs, and our party must be ready with ideas to meet the challenges that that will bring. We are not promoting a manifesto - that is for our party to decide - but we believe that our contributors have set out a series of excellent ideas that are worthy of debate among our movement. There are 75 individual proposals listed below, taken from the articles in this document. We urge you to use them, or at least the ones that inspire you, as the basis of discussions in your local organisations.

THE IDEAS

1. Pioneer a mission-oriented innovation policy that sets direction of growth and tackles grand challenges
2. Align departmental budgets around tackling grand challenges like climate change
3. Support a "CERN for climate technology"
4. Raise R & D spending, create high-growth clusters around universities, turbo-boost Catapults and re-join the EU Horizon programme
5. A new post of 'Minister for Manufacturing Strategy' to drive cross-government industrial/manufacturing strategy and UK level 'Industrial Strategy and Just Transition Council'
6. Invest in manufacturing hydrogen and ammonia from excess overnight wind energy generation
7. Introduce positive tax incentives to renew plug-in grant scheme
8. Ensure procurement contracts have binding contractual commitments to minimum UK content by value, skilled jobs and apprenticeships
9. Well-designed procurement contracts to stimulate bottom-up innovation
10. Using Covid-vaccine style public procurement to accelerate advance to net zero
11. Procure materials for retrofit locally
12. Renegotiate trade deals they're based on the principles of 'fair trade not free trade'.
13. Reform Bank of England mandate to put climate considerations central stage
14. Raise public investment in physical and digital infrastructure, human capital and NHS
15. Bank of England style targets for fiscal policy to measure

well-being of the British people + significant increase in well-being for all working families

16. Re-think assessment of the returns to large scale public investment through jobs and impact on general government net worth
17. Create public green investment banks to provide patient capital to expand zero-carbon markets, like Scottish National Investment Bank
18. Ask new National Investment Bank to raise finance directly and via 'green bonds' to fund new publicly owned Domestic Energy Company, upgrade and diversify grid network and investing in local 'community energy hubs'
19. National Investment Bank and Regional Investment Vehicles to facilitate lines of affordable credit, capital investment and start-up financing, grants and monies for the taking into public ownership of assets in the national interest.
20. Ask National Infrastructure Commission, the UK Investment Bank and Industrial Strategy Council to govern large-scale public investment schemes
21. Aligning mandates of existing state-owned financial institutions – the UK Infrastructure Bank (UKIB), the British Business Bank (BBB) and the UK Export Finance (UKEF) – with the Green New Deal.
22. Create a Norwegian-style British sovereign wealth fund, funded from a mix of public asset sales, windfall profits taxes, further levies on North Sea Oil and Gas production and sales of bonds to ESG investors
23. Bring National Grid into public ownership and task with modernising the network and managing energy transition.
24. Create regional public sector backed co-operatives, owned by consumers and workers, to generate, transmit and sell clean energy.
25. Invest in innovative new technologies such as tidal/wave energy generation + wind, solar, nuclear and manufacture of synthetic fuels like SAF, hydrogen and bio-mass
26. New regulation to end endemic short-termism and protect UK business from predatory acquisitions and asset stripping
27. Introduce an Industrial Strategy that improves corporate governance and promote new models of ownership
28. Create decentralised networked systems of financing for local businesses, addressing the substantial market failure in the capital markets that constrains locally-hosted companies from investing in their places.
29. Change tax rules to incentive social enterprises, cutting corporation tax to zero for companies that are purpose-rather than profit- driven.
30. Promote forms of steward-ownership to encourage transitions to employee-owned companies
31. Update Companies Act to require company incorporation around a declared purpose reported to shareholders and stakeholders. Auditors should audit this
32. Re-establish Britain's utilities public benefit companies
33. Mandate workers on boards
34. Extend NICs to all sources of income, except pensions
35. Remove regressive 'cap' on NIC's contributions for the highest earners
36. Equalise Capital Gains Tax (CGT) rates with taxes on income, including NICs.
37. Plug gaps in Inheritance Tax (IHT), scrapping/capping reliefs that allow agricultural and business property to be passed on tax free.
38. Reform property tax so its fairer
39. Consider a 'jackpot tax' on extreme wealth on the

wealthiest 0.04% raising £10 billion

40. Devolve half of Labour's £24 billion climate investment to regional and local authorities to invest in the green infrastructure and services
41. Introduce regional carbon budgets, binding targets for net zero, and a statutory duty to develop green industrial strategies to deliver good jobs that pay a decent wage.
42. Radical devolution of power and funding for education, skills, employment support, energy, housing, planning and local transport.
43. Expand the public transport network to ensure low-cost buses, trains, trams and community transport to created connected places.
44. Invest in community ownership of vital assets: supporting the mass 'buy up' rather than 'sell off' of unused properties on high streets and city centres.
45. Require every private sector beneficiary of government funds to offer equity to the community
46. Invite community associations, cooperatives, and trade unions to form "public-common partnerships" with governments.
47. Encourage popular participation in plans to tackle climate change like Camden Renewal Commission and encourage Spanish-style citizens assemblies
48. Introduce UK equivalent to hugely successful German Kurzarbeit and Mittelstand schemes
49. Tackle chronic skills crisis in STEM across lifelong learning
50. Introduce a Future Skills Scheme to allow firms to fund workers to retrain and upskill for jobs in sectors that are growing.
51. A Great Homes Upgrade to retrofit 19 million homes by 2030.
52. Build 3 million social homes in the next two decades to fix the housing crisis.
53. Promote retrofit conversion kits to combustion engines, enabling the use of bio and synthetic fuels and hydrogen-ICE technology is already under development for heavy vehicles such as lorries and construction equipment.
54. Boost housing supply, helping to reduce prices in areas of high demand and create new stock of social housing.
55. Create more alternatives to private renting by socialising some of existing housing stock to be let out at affordable rents.
56. Provide cushion for poorest households against energy prices
57. Join WEGo, the Wellbeing Economy Governments (currently Canada, Scotland, Iceland, New Zealand, Wales and Finland), a collaboration of national and regional governments to promote sharing of expertise and transferrable policy practices
58. Commit to actually tackling inequality by taxing wealth, top incomes and financial transactions
59. Give people resilience and stability through a universal basic income and a proper living wage.
60. Enact the Socioeconomic Duty of the 2010 Equality Act
61. Promote fair work and economic democracy within a Green New Deal
62. Put children and young people at the centre of policy
63. Recommit Britain to ending child poverty
64. Properly fund comprehensive education; enshrine in law universal free school meals and free holiday meals for families on benefits; and close the digital divide
65. Put the Marmot principles at centre of social security: give every child the best start in life; promote education and life-long learning; improve employment and working conditions; ensure everyone has at least the minimum income needed for a healthy life; secure healthy and

sustainable places in which to live and work; tackle discrimination, racism and their outcomes, and pursue environmental sustainability and health equity together

66. Introduce a universal minimum inheritance for all 25 year olds to help equalise the 'opportunity effect' of holding assets.
67. Expansionary investment in childcare plus reform of ownership to address low quality and debt-fuelled expansion of for-profit groups
68. Introduce a new national care service to improve quality of care, guarantee high quality and well paid workforce to deliver world class care
69. Put the fair essentials at the heart of public policy; to ensure everyone should have their basic needs met so no-one lives in poverty, and everyone can play a constructive role in society; remove barriers that prevent people from having equal opportunities; reward everyone's hard work on the basis of their contribution to our society and economy; ensure everyone contributes to society by paying the taxes they owe, and should be supported by society when they need it and ensure everyone is treated according to need, enjoying equal respect and influence on decisions made in their name
70. Establish a new Crime Prevention Agency to develop systematic approach to preventing crime like fraud and cyber crime
71. Full restoration of proper neighbourhood policing
72. Overhaul police learning and development
73. Introduce Licence to Practise for police officers to ensure continual refresh of skills and standards
74. Introduce regional police units for specialist crime like firearms, cyber crime, economic crime
75. Reform College of Policing to improve policing

PLEASE KEEP IN TOUCH

We are keen to hear what you think about the ideas in these articles. We also want to hear about any discussions you have locally that are inspired by what you have read in this document. We will be holding events around the country over the next year which we hope you will attend. If you are interested in coming along, or have debates in your local meetings, please let us know.

Go to our website to sign up to receive updates and keep up to date with what others are doing in their area.

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