

coll. P  
1096

PAMPHLET COLLECTION

# FABIAN

S O C I E T Y

FABIAN PAMPHLET 558

## What's wrong with Fabianism?



*by David Piachaud*



BLPES



21 0219362 0

# What's wrong with Fabianism?

1 Nothing to be done?	1
2 Old style Fabianism	2
3 Rewriting the agenda	7
4 Wealth and power	14
5 Vision into politics	18



coll. P  
1096

## PAMPHLET COLLECTION

David Piachaud is Professor of Social Administration at the London School of Economics. He was a member of the Prime Minister's Policy Unit from 1974 to 1979.

This pamphlet, like all publications of the Fabian Society, represents not the collective views of the Society but only the views of the author. The responsibility of the Society is limited to approving its publications as worthy of consideration within the Labour movement.

Design: Tony Garrett

June 1993

ISBN 0 7163 0558 5

ISSN 0307 7523

Printed by The College Hill Press Limited (TU), London and Worthing

Published by the Fabian Society, 11 Dartmouth St, London SW1H 9BN

# Nothing to be done?

1

The Labour Party is in a state of passive tranquillity that is entirely unjustified by its recent lack of achievement and wholly inappropriate to the needs of the nation. It is waiting for something to turn up, whether it will be a new big idea that will make sense of socialism into the 21st century or simply electoral victory that will offer some release to those who have served their time in HM Opposition.

**N**othing to be done also summarises much of the prevailing political philosophy concerning social justice. Labour strove to put forward a fair and presentable tax-benefit package at the 1992 election - and lost. Whether this was a product of a contempt for truth on the part of the Tories and the tabloids or a culture of contentment and cynicism among the voters scarcely matters in many Labour politicians' thinking. Of course, they argue, we would like to be just and fair but they, the voters, will not let us; the political arithmetic does not permit it. And so, since being powerless is even more distressing than being unprincipled, any repetition of the 1992 tax-benefit package is ruled out.

To think that there is nothing to be done is not merely depressing. It is a terrible reflection on current political thinking: what was done in the past is ruled out and nothing more is offered for the future. It is terrible for Britain where growing poverty and inequality create untold individual suffering and division, with hopes dashed and despair rife. But it is not tragic because it is not inevitable. There are alternatives which offer an agenda that can enhance the opportunities of all.

## 2 Old style Fabianism

It is easy to blame 14 years of Conservative rule for all the ills that afflict Britain; Tory responsibility is indeed immense. In terms of incompetence and self-serving greed, of disregard for the victims of their actions, of deception and lying, then one can have nothing but contempt for the present Government. They have followed the dogmas of the New Right and monetarism and pandered to prejudice and their paymasters. The harm inflicted on British society by Thatcher and the B-team amounts to the grossest betrayal of their responsibility to the British people.

**B**ut simply blaming the Tories is not a secure foundation for future policy. Now is the time for a little self-criticism. A part of our political and national distress may be attributed to Fabianism - or more precisely what may be labelled mid-century Fabianism - which, over the past half century, has had a substantial influence on political thinking and policy.

Three features of Fabianism have been particularly damaging. First, the assumption that state action was preferable to either family, community or market activity. Second, a static view of society and a failure to think about the dynamics of change. Third, the assumption that Fabians know best; as Beatrice Webb wrote of the men on the Royal Commission on the Poor Law, they make me feel intolerably superior. This has led to the condescension of doing things for people, motivated by guilt, fear, or a sense of duty - not always by feelings of fraternity, humanity and respect.

These attitudes have led to a number of highly problematic policy postures. First, concern for the responsibilities of the state while virtually ignoring the personal responsibilities of individuals. Second, the quest for planning and controls as a rational way forward. Such plans have usually relied on a static view of the world and on superior knowledge; they have ignored the dynamics

of society that are confused, often creative, frequently destructive and contradictory, never static. Third, there has been concern about outcomes rather than people's capabilities. If opportunities to improve capabilities are justly distributed then inequality in certain outcomes may be no cause for concern. Shaw, with a dearth of political imagination, defined socialism as equality of income and for many this remains the goal; it is disastrously wrong. Finally, there has been a focus on redistribution rather than on factors that affect the original distribution of incomes. For some Fabians, redistribution through social security is seen as a form of state-organised charity bestowing welfare on the needy.

### *The future of redistribution*

This pamphlet starts from the assumption that there is now virtually no likelihood of further substantial redistribution of income through taxes and social security benefits. This is not because any further redistribution is impossible or undesirable; rather it is based on a judgement of what is politically feasible.

This is not remotely to suggest that the social security system is unnecessary or that it should be cut back. Indeed some of the current suggestions for cutting it back will be criticised below. It is to accept that the sort of tax-benefit package put forward by Labour at the last election is not a realistic way forward.

Such a conclusion may seem obvious. For this writer, it is a difficult conclusion having spent over twenty years researching and writing about redistribution and believing that Labour's election programme with its modest proposals for redistribution and emphasis on pathways out of poverty was desirable and just, however minimal. But since redistribution has been at the centre of Labour Party policy for social justice for at least 30 years, the conclusion that a redistributive strategy cannot be relied on for the future does need careful examination.

Redistribution essentially involves a transfer from one person or group to another; it is a zero-sum game in which some gain only if others lose. It is attractive if the world is seen as static, all having fixed and pre-determined original incomes, in which the only concern is to achieve a just distribution of final incomes. But the world is not like that. It is essential to think about the dynamics of poverty and injustice and examine how it is that most are not poor and what it is that prevents those who are poor from being prosperous. There is not a fixed cake to be sliced up as Fabians, or a Labour Government, thinks fit. The generation of the cake and the extent of participation in making the cake are crucial. This was well expressed by Jane Jacobs when she wrote: "To seek causes of poverty...is an intellectual dead end because poverty has no causes. Only prosperity has causes. Analogically, heat is the result of active processes; it has causes. But cold is not the result of any processes; it is only

the absence of heat. Just so, the great cold of poverty and economic stagnation is merely the absence of economic development. It can be overcome only if the relevant economic processes are in motion."

This is quite clear if one considers poverty in the Third World, which on any reckoning is still far worse than in Britain. Overseas aid - a global form of redistribution - may be helpful but it can barely begin to change poverty into prosperity. Where there is lack of skills then what is needed is education and training; where labourers are landless then what is needed is land reform; where terms of trade with industrialised nations are unfair then what is needed is better access to markets; where nations languish in the debt trap then what is needed is rescheduling or writing-off of debt. For none of these problems is redistribution the answer. Training, land reform, improved terms of trade, and removal of the debt trap can all lead to conditions in which prosperity can be extended and poverty reduced. Oxfam highlighted the difference between an approach based on redistribution and one based on altering the original distribution: if you give people a meal you feed them for a day, whereas if you enable them to grow food they can feed themselves for a lifetime.

That redistribution is not enough is evident if one considers the experience of the United Kingdom over the last decade: social security spending rose by 50 percent in real terms, from 12 to 14% of personal income before tax, yet the number in poverty increased dramatically. Social security spending was clearly insufficient in the circumstances of the last decade to reduce poverty. No conceivable level of social security spending would have been.

It is necessary to look more deeply at how and why poverty has increased and consider what might be done if a fairer society is to be created.

### *The rise in poverty*

**Table 1:** The Increase in Poverty

Year	No (millions)	%
1979	5.0	9
1981	6.2	11
1987	10.5	19
1988/89	12.0	22

(The figures are for those below 50% of average disposable income adjusted for household size and composition after housing costs.)

Source: Department of Social Security, *Households Below Average Income: A Statistical Analysis 1979 - 1988/89*, HMSO, 1992.

Poverty in Britain increased over the last decade. Poverty can be defined as living below half the average income level (after allowing for taxes and benefits and deducting housing costs and adjusting for household size); this level

3

amounted to £57 per week for a single person and £103 per week for a married couple at 1992 prices. On this definition, poverty more than doubled over the last decade, as shown in Table 1. The number of people living in poor households increased from 5 to 12 million, of whom nearly three million were children. (These figures show the rise in relative poverty; even in absolute terms, using a definition of poverty that is fixed in real terms, poverty increased over the last decade.)

**Table 2: The Growth of Inequality**

	Original Income		Income after Taxes and Benefits	
	1979	1990	1979	1990
Bottom Fifth	2.4	2.0	9.5	6.3
2nd Fifth	10	7	13	10
3rd Fifth	18	15	18	15
4th Fifth	27	25	23	23
Top Fifth	43	51	37	45

(Figures show the percentage shares of income, adjusted for household size.)

Source: *Economic Trends*, HMSO January 1993.

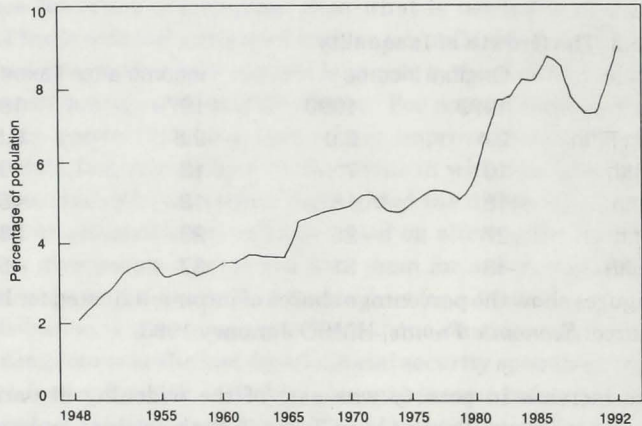
The increase in poverty was part of the widening disparity in incomes generally, which is illustrated in Table 2. Both original incomes and incomes after taxes and benefits became more unequal. The share of the bottom fifth in income after taxes and benefits fell between 1979 and 1990 from 9.5% to 6.3%; in other words their share was in 1990 only two-thirds of what it was in 1979. Remarkably, the share of the top fifth increased by 8%, which is more than was left to the bottom fifth in 1990. Whereas the top fifth had four times the net income of the bottom fifth in 1979, they had seven times as much by 1990.

There are a number of ways of explaining or interpreting the increases in both poverty and inequality. The most fundamental explanation lies in what happened to work and income: there were more unemployed people, more in low paid jobs, and more not in the labour force at all. At the same time there were more in debt and more lacking any significant capital. There were also more lacking any real opportunity to help themselves with the rise in the number dependent on supplementary benefit or income support.

This last represents a shaming indictment of Conservative Party hypocrisy, and deserves slightly fuller attention. Table 3 (see over) shows the number of individuals receiving means-tested social assistance since 1948 - called in turn, national assistance, supplementary benefit, and now income support. Those receiving such social assistance have been, and remain, virtually precluded from self-help: a tiny amount is disregarded and then each extra pound of their own income, whether derived from past saving or a part-time earnings, is deducted pound for pound from their benefit. For those on social assistance there have been no cuts in tax rate; they remain at 100%. The numbers in this

predicament have quadrupled since 1948 and nearly doubled under the present Conservative regime. Not only has the present government watched, or rather turned away, while poverty has doubled, it has trampled on every precept of Conservatism and doubled the number who are prevented from helping themselves; it has blocked the pathways out of poverty.

**Table 3**



Social Assistance covers National Assistance (1948-1965), Supplementary Benefit (1966-1987), and Income Support (1988-1992). The figure relates to Great Britain.

Source: A B Atkinson, *Beveridge, the National Minimum, and its Future in a European Context*, Discussion Paper WSP/85, STICERD, London School of Economics, 1993



# Rewriting the agenda

# 3

For many old socialists the state has always been seen as a benevolent god-father. It was preferable in many ways to be dependent on the state than dependent on the vagaries of capitalism. Yet most people for most of their lives do not need to be dependent on the state for their income, and do not want to be at the mercy of Secretaries of State such as Patrick Jenkin, John Moore or Peter Lilley.

**H**ow could fewer be dependent on the state? How can those at the bottom of society achieve greater control over their lives? How can the social security budget be concentrated on those for whom there is no alternative source of income so that they can enjoy more decent standards of living?

What is needed is a new agenda relating to, first, work and income, second, wealth and power, and, third, consumption and control.

There has been a harmful tendency to separate economic and social issues in Britain and to think of employment as an economic issue and social security as a social issue. This has resulted in the economy being thought about solely in terms of production and efficiency with no regard to equity or social justice, with social security left to pick up the pieces. Labour is nearly as guilty of aspiring to economic correctness by concentrating on nominal variables like inflation and the PSBR and ignoring real variables like employment, growth and poverty.

## *Unemployment*

The threat posed by mass unemployment at present, and by increased levels in the future, cannot be exaggerated. It is not only the largest single cause of poverty, causing hardship, demoralisation and despair at an individual and

family level; it is also a potent cause of division in society, fostering intolerance and racism, marginalisation and exclusion. Whatever the British might wish to believe of themselves, they are not some superior master race when it comes to tolerance; just as Fascism fed on the mass unemployment of the interwar years, the corruption of society that has occurred in recent years has been fuelled by unemployment.

Yet, while many recognize the threat, pessimism abounds about a solution. Full employment is not even on the agenda of most politicians - including many Labour politicians. This is pathetic defeatism. Unemployment in the 25 years after the war averaged 2% and never exceeded 3%; now it is around 11%. Of course a price has to be paid for tackling unemployment but the cost of unemployment makes almost any price worth paying. As Beveridge wrote: "Nothing worth having can be had for nothing; every good thing has a price". Maintenance of employment is a good thing worth any price, except war or surrender of essential liberties. It can be had without that surrender, but not without giving up something; chiefly, we must give up our darling national vice of not looking ahead as a nation.

Instead of rehearsing the obstacles to any change in economic policy, it is perhaps more productive to think in terms of what may be required for full employment. First, there must be enough jobs, which means expanding the economy without generating intolerable and self-defeating inflation. This requires a radically new approach to promoting investment and enhancing international competitiveness. It also requires some form of collective restraint on incomes and hours of work so that the expansion does not solely benefit those already employed. Second, it requires training for the new jobs which must involve training those now unemployed and those with short-term, impermanent jobs so that they can advance. Third, it requires housing in places where there are jobs and jobs where there is housing so that the regional bottlenecks that have throttled past spurts of growth can be avoided. Fourth, it requires subsidies for certain groups who are, as a result of long spells of unemployment or other reasons, unattractive to employers. Fifth, it requires that the government, perhaps acting through joint bodies drawn from Training and Enterprise Councils and Local and Regional Authorities, act as employer of last resort, deliberately creating work rather than merely handing out the dole. Sixth, it requires that for people unemployed for any considerable length of time income be made conditional on work or training. It is patronising sentimentality to oppose all conditions on the receipt of unemployment benefits: what matters is ensuring decent incomes and good quality work or training.

If such a strategy is to work, it must enlist the best efforts of broad sections of the population, most of whom are not Labour's natural allies. There will be costs in terms of public expenditure but there will also be savings as the nation gets back to work. The greatest cost is not, however, in expenditure; rather it is the cost or challenge of putting full employment back on the agenda and

gaining widespread support for a coherent strategy to achieve it. It is a challenge that must be faced if there is to be any progress towards a fairer society and extending opportunities.

The cost of unemployment in social security benefits and lost taxes now amounts to a tax of £1000 per annum on each and every man and woman in employment. It is a form of hush money that, most of the time, keeps a lid on a cauldron of discontent. But it is a price Britain can ill afford and it is a ludicrous and tragic waste of human resources and potential. There are formidable challenges and costs in returning to full employment but they are far less in the long run than the cost of living with mass unemployment. It is up to Labour to offer a real alternative.

Unless all can work together, the future of the British economy and society, let alone a fairer society, is bleak indeed. Thus, full employment is the first requirement if opportunities are to be extended to all - it must be put back on the agenda. What Beveridge wrote half a century ago has been forgotten: Income security which is all that can be given by social insurance is so inadequate a provision for human happiness that to put it forward by itself hardly seems worth doing. It should be accompanied by an announced determination of the state to whatever extent may prove necessary to ensure for all, not indeed absolute continuity of work, but a reasonable chance of productive employment.

### *Child care*

Unemployment is a symptom of the unequal distribution of paid work in the economy. There are also chronic inequalities in the distribution of unpaid work. Such inequalities have in the past been largely hidden and almost totally ignored. Yet they are a major source of social injustice.

Evidence on the extent of poverty in both lone-parent and two-parent families and on inequalities between men and women all demonstrate that the burdens of unpaid work - caring for children, for disabled people and for frail, elderly people - are crucial both for poverty and sex equality. Here only the first of these will be considered. Most child care is provided unpaid in the home; however willingly it is provided, it still imposes a massive opportunity cost in terms of income or time forgone.

Some look to the state to take over a large part of this work. Just as the state now provides free schooling for those aged five and over, so it could in theory provide free nurseries for all those under five. Whether or not this is desirable for the children concerned, it is not, realistically, likely to happen on any substantial scale. To provide secure, stimulating and full-time nurseries for all children under five could easily require half the present education budget. Instead of grandiose and unrealisable aspirations, it is more useful to start from what could be achieved that would improve the position.

First, it is important to think about the child care role of schools, even if this

is unwelcome to teachers who regard their role as purely educational. The hours of the school day, interruptions for school lunches (or lack of them), half-terms and the school holidays are all bequests from the mists of time which have more to do with the agricultural calendar and teachers' preferences than with the requirements of modern life. There has been a total failure to adjust what is provided to the reality of two-earner families or the needs of lone parents. Sadly it is the private sector and opted-out schools that have been far more innovative than state schools in adapting to the needs of parents as well as children. Updating the contribution of schools to child care could substantially relieve the burden of unpaid work in society.

Second, concerning children aged under five, it is important not to make the Fabians' perennial assumption that state provision is necessarily best (at least for other people's children). Many parents - mostly, but by no means all of them, mothers - wish to provide most of the care and nurture in their children's early years; yet if they so decide there are still massive costs and it is the families with very young children who are most likely to be poor. To allow choice, it is necessary to overcome Fabian distaste and, instead of providing free nurseries, provide benefits for very young children and charge for nursery places. Such a strategy allows parental choice but it also provides extra income in recognition of the vital and sapping work of looking after very young children.

In the longer run, it is clearly necessary to rethink the structure and distribution of both paid and unpaid work in society. There is scant regard in the economy for children or for others needing substantial care, and precious little support from the personal social services. The increase of two-earner households and the growing numbers of people needing extensive care in the community raise major issues that are beyond the scope of this pamphlet. Unfortunately, hitherto, it has been vain to look for a lead from politicians of any party in Westminster or local government who have managed to order their activities in a manner altogether at odds with more flexible employment and a fairer distribution of unpaid work.

### *The elderly*

One aspect of the distribution of paid work that has received scant attention is its distribution over the life-cycle. There have been far-reaching changes in the economic activity of elderly people. In 1973, 85% of men aged 60-64 were economically active; by 1989 it was only 54%. Over the same period the proportion of men aged 65 and over who were economically active fell from 19% to 8%. (Among women the changes have been complicated by the long-run increase in female participation.) In part these changes are a result of greater prosperity, but in large part the decline in economic activity is a form of disguised unemployment. Yet, at the same time, elderly people are, in general, healthier and living longer.

It is manifestly absurd that as people live longer they should stop work

earlier. The result of this extension of retirement at both ends is that the cost of pensions has risen inexorably. This leads many to propose cutting back on the levels of pension or means-testing them. It is more sensible to reconsider more fundamentally the pattern of life-time distribution of paid work and of incomes - be they wages or pensions. There is a strong case for gradually raising pension ages (having as a first step equalised them at 65).

When many more are fit and healthy, as well as skilled and experienced, elderly people can make a far bigger contribution to society - and many of them want to do so. It seems senseless to pension off an ever-growing proportion of the population, creating a huge pension burden on the employed population, especially when they are, with more education, starting work later. We are drifting into a society more and more divided by age. This only detracts from unity and social justice.

### *Against selective benefits*

It was argued at the start that substantially increasing social security expenditure was not a viable route to greater social justice. Yet social security is and will remain crucial to the incomes and welfare of millions of people. Therefore any strategy for a fairer society must consider social security. There is not space here to consider all the issues this raises for particular groups who will always be dependent on the state for their incomes. But certain broad issues are important.

Income levels of the poorest have been allowed to fall behind those of the rest of society. As the research of this writer and many others has shown, benefit levels are simply too low. Yet simply to argue that more should be spent in total on social security does not seem practical politics in the decades ahead. That is why it is so important that those who could, should and would support themselves should be enabled to do so, in ways indicated in the previous three sections, thereby allowing the social security budget to provide more decent benefits for those who must depend on it.

It seems self-evident to many that the way to help the poorest is to concentrate social security on them by means-testing benefits. Why do prosperous pensioners need to receive retirement pension? This is a perfectly legitimate question and high-minded answers in terms of contribution-based systems, lifetime redistribution or horizontal equity are not adequate to defend the existing system. There are, however, two very strong arguments against means-testing, which are usually ignored by its advocates.

The question of whether benefits should be means-tested is often put in the form: is it better to provide low benefits to all or give high benefits to those who need them? (for example by Dilnot, in *Fabian Review*, March/April 1993). This is entirely misleading. There is not some fixed fund available for social security which the government is free to distribute as it thinks fit. People pay national insurance contributions that finance the bulk of social security in the expecta-

tion of certain rights to future benefits. If such rights were made subject to means-testing, then willingness to pay contributions would inevitably be affected. The evidence that this is so would be obvious if some of those who preach that universalism is dead looked across the English Channel or Atlantic. Continental systems which are largely contributory, with benefits more closely related to what individuals put in than in Britain, provide in general much higher benefits; systems which are means-tested, such as AFDC in the USA, provide far less adequately because the prosperous, deeming them to be programmes exclusively for the poor, are unwilling to fund them.

Second, there is the problem often described as one of incentives, but better described as one of opportunities. Already most poor households in work or out of work are seriously lacking any legitimate opportunity to help themselves. The poverty trap means that low-earning families gain almost nothing if they increase their earnings (due to the loss of income tax, national insurance contributions, family credit and housing benefit). Those out of work, depending on income support, cannot effectively increase their incomes by their own efforts since the greater their own resources the less they receive in benefit. The huge increase in numbers dependent on income support, illustrated earlier, is an indicator of the number who lack any real opportunity to improve their own position. Extending means-testing - in effect withdrawing benefits from those slightly above the minimum - would only serve to increase the obstacles on the pathway out of poverty. It does not help people to stand on their own feet if, as soon as they attempt to do so, the rug is pulled out from under them.

There may be a political and presentational case for withdrawing child benefit and retirement pension, through an income tax surcharge, from the very prosperous - those with incomes two or three times the national average, for example. This would meet the concern of many that social security was being wasted on the non-poor, without decreasing the opportunities of those on low or middle incomes. But even the withdrawal of retirement pension, which many feel is theirs by right of past contributions, would be highly contentious.

Many who advocate greater selectivity ignore the fact that the social security budget is already the most selective form of public expenditure. Those who advocate greater selectivity in social security should not restrict their concern. Expenditure on roads, rail subsidies or the arts are all massively inegalitarian. As discussed below, the education budget favours those who are, or will be, among the most prosperous in society. There is no good reason to single out social security for selectivity, unless it is in slavish imitation of the Conservative desire to cut public expenditure at any price.

At the opposite end from means-testers are the vocal advocates of a Basic Income. They wish to replace social security by an unconditional income for all based only on residence or citizenship without any tests of age, disability or unemployment; inevitably, such schemes either cost fantastic amounts, implying basic rates of income tax of 60 or 70%, or they would mean drastically

reduced levels of income for those now receiving social security. This approach, divorcing income from work, has little to contribute to social justice.

Having assumed that the Labour Party was unlikely ever again to commit itself to a package of benefit increases running into many billions - even if it was only to restore some of the erosion that had occurred under the Conservatives - it would be idle indulgence to set out a shopping list of all the benefits that might be increased to good effect. Total expenditure on social security is unlikely to experience a quantum leap of the kind that did occur in 1948 and, to a lesser extent, in 1974. It still remains possible to reallocate some of the expenditure but the case for a drastic change towards a more selective system is weak. The scope for or desirability of shifting resources around between those who are elderly, disabled, lone parents or unemployed is very limited. It is precisely the lack of opportunity for major change on the social security front that means that progress must be sought elsewhere.

This does not of course mean that nothing should be done. The erosion of benefits relative to general income levels achieved by the Conservatives' indexation only to prices has in the long run been their biggest single expenditure cut; there is no good reason why those dependent on benefits should not share in rising living standards.

Equally there is no reason why unemployed people and others should be humiliated and stigmatised, with waiting rooms without toilets, delays without end, and treatment without courtesy; such may now be the exception but it still persists and some in ways may be getting worse. If, as Abel-Smith pointed out 40 years ago, banks can have marble halls, why should those receiving social security not be seen in a clean, comfortable and courteous environment. Changes in employment and changes in family structure have both served to make the "insurance" basis of social security increasingly notional. There are good reasons to move towards social security rights based on citizenship or residence, with corresponding responsibilities where appropriate. This would improve incentives and opportunities for those receiving social security and promote sex equality and administrative simplicity.

There is much that could be done to improve social security even within its existing budget. But, as stressed throughout this pamphlet, the social security system should not take too much blame; it is doing what it can - it cannot be expected to offset unlimited failures of the economic and social system.

# 4 Wealth and power

If social justice is to be enhanced, it is necessary not only to tackle the inequalities of income and work but also to look to some of the causes of those inequalities.

## *Human capital*

As if mass unemployment were not enough, the labour market is increasingly blighted by low earnings. The major reason why earnings are low is lack of skills or capabilities. Some countries have pursued far more active labour market policies providing high quality training and retraining to enhance people's capabilities - particularly those of people at most risk of low pay and unemployment.

Capabilities depend not only on individual abilities but also on social organization. A person confined to a wheel-chair has the capability of being mobile if, but only if, buildings, transport and public facilities are designed to be accessible. Similarly, no amount of training ensures employment if there are no jobs. Thus capabilities have both individual and social aspects.

It is more valuable to enhance capabilities than to attempt to deal with symptoms of inadequate capabilities. Thus, for example, it may be preferable to enhance the limited earning capability of those who are low paid by enhancing their skills or subsidising their employment than to try and deal with the symptom of their low earning capacity through minimum wage legislation.

In human capital terms, we continue to invest far more in those who have the greatest abilities. Spending on post-school education is massively unequal, being for most of the population virtually zero. The education system may enhance economic output but it is also a massive engine for inequality. Measures such as a graduate tax would to a small degree offset this. But much more fundamental questions must be faced about the social impact of the educational system. The selective nature of higher education has never been seriously called into question in Labour thinking; rather, attention has been focussed on extending and equalizing access into higher education through comprehensivisation. Extending opportunities to enter a most unequal educational system - as the meritocrats of the 1950s and 1960s sought to do - is not the same as addressing the inequalities of the system.



## Wealth

Past attempts to tax wealth have been an utter shambles: effects have been arbitrary and the only real gainers have been accountants and tax lawyers. Capital transfer tax is at best a lottery, at worst a joke.

There is an overwhelming case for imposing hefty wealth taxes on those with great wealth - perhaps in excess of £1 million. Rather than taxing estates or capital transfers, the simplest arrangement might be an annual capital levy of, perhaps, 5% of all assets in which the super-rich have any stake, whether in Britain or abroad.

The myriad devices for avoiding taxation should be swept away as expensive indulgences for the rich. Billions of potential revenue are lost by allowing the Isle of Man and the Channel Islands to flout the intentions of British tax law; if they wish to continue to do so they should be cut off from the mainland. Taxing the wealth of the richest would be a small step towards social justice - to mix two Chancellors' metaphors, if the pips squeaked you would know it was working - but it is an illusion to imagine that it would pay for major increases in benefits.

The major form of wealth for the majority is not in the old masters and off-shore funds of the super-rich, but rather in housing. With 70% now in owner-occupied housing, housing tenure has become a principal social divider in society. The vast majority of young people aspire to own their own property; yet many now lack any realistic opportunity to do so.

Whatever the intentions at the national level, many Labour-controlled local authorities have resisted the right to buy and there is no doubt that Labour is seen as being less favourable to owner-occupation. It is time to reverse this and positively assist those who wish to become owner-occupiers. Entry into the housing market involves a massive first step which excludes many on middle and low incomes who lack support from parents or grandparents. Assistance with that first step through subsidised starter loans or through once-in-a-lifetime capital grants could extend opportunity in housing much more widely.

The crucial change in thinking that is needed in housing is the recognition that owner occupation is socially desirable; there can and should be no return to the days of mass renting and municipalisation - however much council building contributed in its day. Once this idea has been accepted, finding ways to enable more to achieve their goal, and thereby reduce inequalities in wealth, is relatively easy. Of course there will be remain many who cannot become owner-occupiers so that there will be a continuing role for social housing. Yet for most people owner-occupation is their major form of wealth and gives them power over a significant part of their lives. Extending opportunities to join in the ownership of property is a major way of giving more people access to wealth and power and of creating a fairer society.

## *Consumption and control*

Although many on the Left are reluctant to recognize the fact, many people are impoverished by their own behaviour and their own patterns of spending. Heavy smoking, drinking or gambling may benefit the Exchequer but they are bad for health, job-retention, child-rearing and household management. Many households end up with inadequate amounts for food, heating and other essential expenditures; many run up debts that end up by enslaving them.

It has always been assumed that people should be free to use their own resources as they see fit. But such freedom is already massively interfered with by big business and it may interfere with the freedom of others. Society sanctions billions being spent on exhorting people to smoke, to drink, to buy food that is garbage. Indeed, as a sign of societal corruption, all sorts of desirable activities from the press to sport and opera are linked with or dependent on these exhortations (although it would be a knave or fool who regarded the Murdoch empire as a desirable activity). Society sanctions the financial institutions which allow, indeed encourage, people to run up debts that in many cases overwhelm them.

There is plenty of evidence that many of the poorest cannot manage on their incomes even with the most frugal and careful budgeting, so that higher incomes for the poorest would undoubtedly ease the individual and family problems that arise. But it is naive to suggest that the remedy for all such problems is simply higher incomes.

It is necessary to think about ways in which people - especially those on low incomes - can gain greater control over their lives. For any form of addiction or the accumulation of debt undermines autonomy and freedom.

At present we have the absurd situation of government spending billions on social security and blaming individuals for how in some cases it is mis-spent, while making no serious attempt to help them gain control of how it is spent - nor even, with income support, spelling out how it might be spent to cover the items which it is intended to cover.

If influencing patterns of consumption and giving people greater genuine control means invading consumer sovereignty and the freedom of markets, then so be it. The vast majority are likely to applaud measures to stop people being encouraged to kill themselves through smoking, to reduce excessive drinking, to make clear what food is good for them and their children and what is not. If this means thinking what children need if they are to have a creative start in life and what they do not need - ruinous video games, knives and crack, for example - and providing parents with more education and support, then so be it.

Labour governments have been assailed as promoting the nanny state, a charge rich in irony when one reflects on the Thatcher years. What is required is not the state as nanny, nor the state in the pocket of the undisclosed sources

that provide undisclosed sums to the Conservative Party. Rather the state is needed as protector from lies and subtle coercion and as provider of honest information to help parents and others manage their resources. To rely almost exclusively on the advertising industry to tell us what we need is a recipe for consumer ignorance. Many now end up enslaved by such pressures; it is even possible that a few Fabians may be vulnerable and susceptible. Far greater protection from financially crippling addiction and debt so that everyone can enjoy greater control over their own lives is a responsibility of a just and empowering state.

# 5

## Vision into politics

This pamphlet started with an attack on old-style Fabianism. On one thing, however, the Fabians have always been right. Any political programme of the Left must be inspired by vision.

**T**he absence of vision is all too apparent in Britain today, as inequality and injustice increase and society gradually disintegrates. Without social justice, without mutual responsibility of citizen and state, society will fall apart, and the lives of the great majority will suffer. Thus, there is nothing irrelevant or outdated about social justice; it is as important today as it ever was.

A policy for a fairer society must start from a conception of society that is fair, civilized and compassionate, with opportunities for all, without remediable injustices and suffering, that is at peace with itself, with security, tolerance and respect for all. Ideas for a fairer society must draw on other countries and cultures and be inspired by extended conceptions of humanity, fraternity and solidarity.

For far too long there has been a futile ding-dong between Right and Left in politics. The Right has said that all that occurs in society is the responsibility of atomistic individuals, and Mrs Thatcher even denied the existence of society. The Left has tended to say that all that matters are structural factors and that everything is the state's responsibility. The Right appears to have learned little, still blaming all social ills on individual failings. Many on the Left have shown far greater insight, stressing individual as well as social responsibilities.

What is needed is a reconciliation or synthesis that recognises both individual and state responsibilities.

It is the individual citizen's responsibility to work conscientiously to his or her full potential, to care for his or her family, to respect the rights of others and contribute to the community. It is the state's responsibility to provide education, health care and social security, to control the exploitation of the vulnerable, to ensure full employment, to enhance the opportunities of all, and to provide a peaceful and safe environment.

These are not alternatives, as they have often been seen in the past. Rather, they are complementary. These are not new values - the work ethic, family responsibility and full employment are scarcely novel ideas - but they are enduring values without which society decays. Nor are they values exclusive to

the Labour Party. If a fairer society is to be achieved, Labour must have the humility - uncommon, alas, among politicians - to recognise that they do not have all the answers and that dialogue and cooperation with all who seek a fairer society is needed.

Even though times are hard, one can be optimistic. Rorty argued that there is such a thing as moral progress, and that this progress is indeed in the direction of greater human solidarity: the ability to see more and more traditional differences (of tribe, religion, race, customs, and the like) as unimportant when compared with similarities with respect to pain and humiliation - the ability to think of people wildly different from ourselves as included in the range of us. Despite years of Conservative cynicism, neglect and greed, there has been a broadening of concern with human solidarity, not only nationally but internationally. There is in Britain a deep-seated and growing unease about the state of society.

The Right attributes the decay of society to a breakdown of individual responsibility; they ignore the wanton irresponsibility exhibited by their government. For the Left, the degree of individual responsibility should be a matter of deep concern; but it can only be enhanced when there is mutual responsibility, with the state taking on its responsibilities.

Ensuring opportunities for all represents a profound challenge to Britain. It is a challenge to which all who care about the future of our society can respond. Offering such a challenge is necessary if Labour is to offer a real alternative and the drift and decay of society are to be reversed.

It is time to review the causes of social injustice - personal, social and economic - and to bring forward a coherent programme for change. It is time to stop merely treating the symptoms of social injustice and to stop patronising the poor with handouts to paper over the cracks in society. It is time to think in terms of a new agenda that could command widespread support, promoting opportunities for all and the integrity of society.



## *Recent Fabian Publications*

**Taxing the Speculator: the route to forex stability.** *Ruth Kelly.* Discussion Paper No 15. £7.50. May 1993. Analyses the nature of foreign exchange speculation and proposes an international transactions tax to foster a more long term outlook by the markets.

**Euro-Monetarism: Why Britain was ensnared and how it should escape.** *Edward Balls.* Discussion Paper No 14. £7.50. December 1992. Analyses the past 20 years' economic failure and argues for a Europe-wide growth strategy.

**Making sense of Pensions.** *Matthew Owen and Frank Field.* Pamphlet No. 557. £3.50 March 1993. Describes the complex workings of the world of pensions.

**Social Justice, Labour and the New Right.** *Raymond Plant.* Pamphlet No 556. £3.50. February 1993. Counters the attacks on Social Justice and calls for a new redistributive consensus.

**Southern Discomfort.** *Giles Radice.* Pamphlet No 555. £3.50. September 1992. Based on qualitative research into attitudes to the Labour Party in the South of England - analysis and recommendations for overcoming the lack of trust in Labour.

**The union link.** *Tom Sawyer, Kim Dewdney, Martin Linton, Tony Manwaring, Stephen Tindale, Tim Walsh, Simon Crine.* Fabian Review Vol 104 No 4. £2.50. Differing views on what Labour's links should be with the trade unions.

**Labour's choice: the Fabian debates.** *John Smith, Bryan Gould, Margaret Beckett and John Prescott.* Pamphlet No 553. June 1992. £3.50. The contenders outline their views on Europe, the economy, ideology, the union link and other issues.

**The Name of the Rose.** *David Lipsey.* Pamphlet No 554. £3.50. July 1992. Proposes that Labour should adopt a more favourable attitude to the market and discusses how the Party must change if it is ever to win.

Available from the Fabian Society, 11 Dartmouth Street, London, SW1H 9BN. Please make cheques payable to the Fabian Society. Credit card orders accepted during office hours.

## What's wrong with Fabianism?

.....

"Three features of Fabianism have been particularly damaging. First, the assumption that state action was preferable to either family, community or market activity. Second, a static view of society and a failure to think about the dynamics of change. Third, the assumption that Fabians know best..."

After attacking old-style Fabian assumptions about the beneficence of the state, David Piachaud rules out any substantial redistribution of income through taxes and social security since there isn't enough to go round and, in any case, the voters won't wear it.

Instead, he calls for a strategy to help people to help themselves - opportunities for all.

Then he sketches the main issues for a new 'opportunities' policy, which would reconcile the proper responsibilities of the individual and the state:

- Work and income - a commitment to full employment, choice in child care and work for the elderly
- Wealth and power - educational opportunities and inheritance taxes
- Consumption and control - here he says the state should intervene to stop consumers being manipulated by advertisers.

The Fabian Society brings together those who wish to relate democratic socialism to practical plans for building a better society in a changing world. It is affiliated to the Labour Party, and anyone who is eligible for membership of the Labour Party can join; others may become associate members. For details of Fabian membership, publications and activities, write to: Simon Crine, General Secretary, Fabian Society, 11 Dartmouth St, London SW1H 9BN.