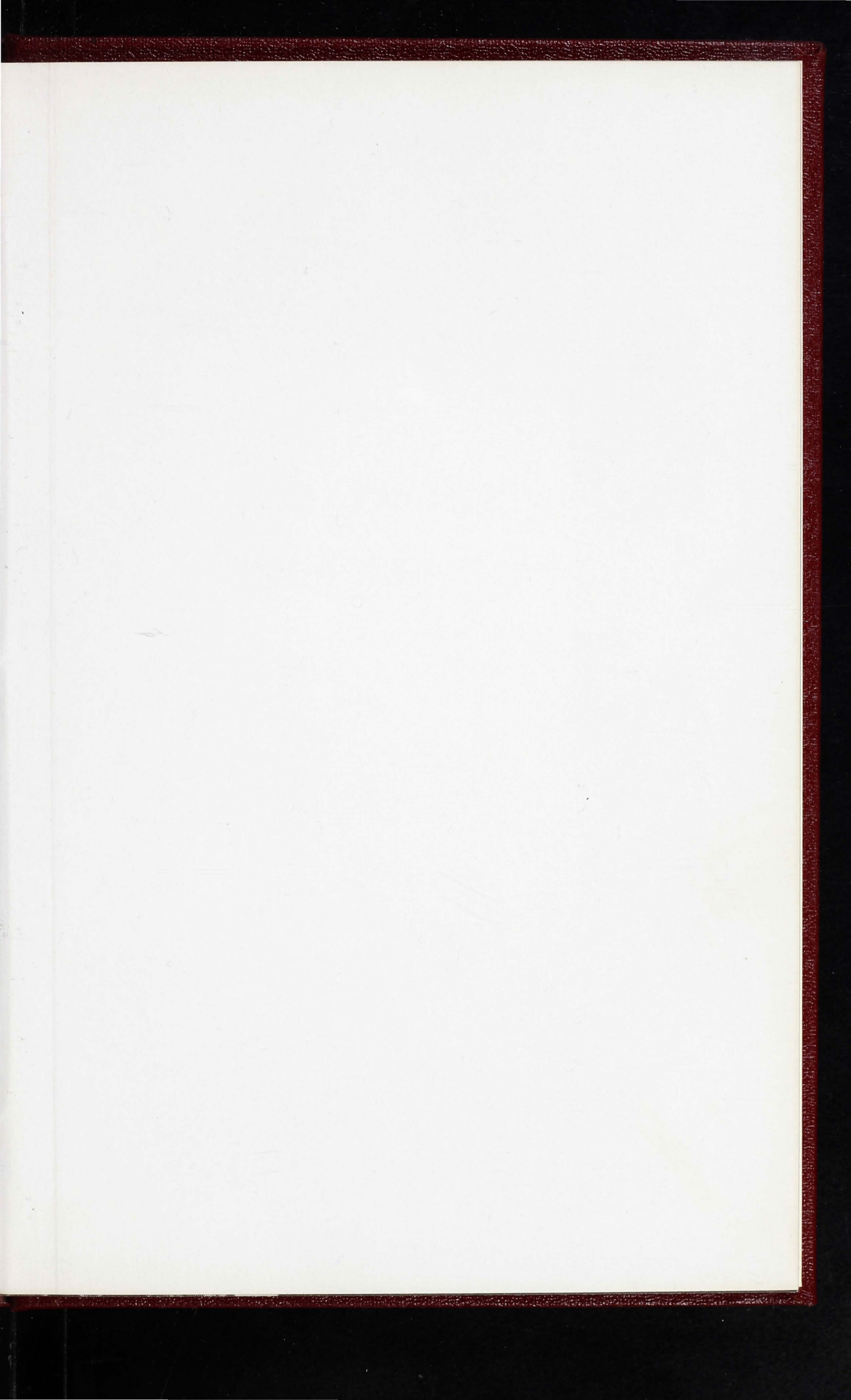
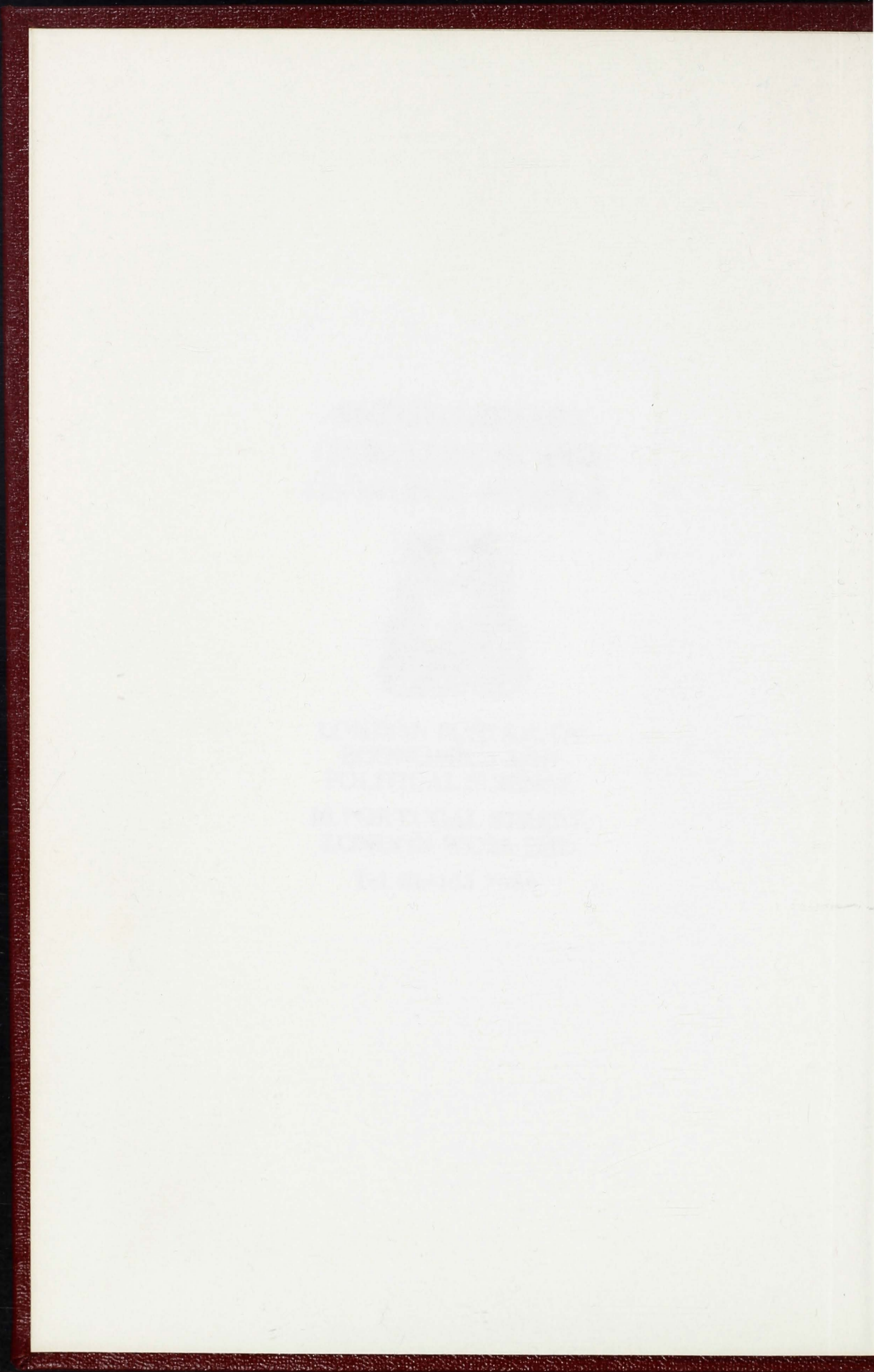


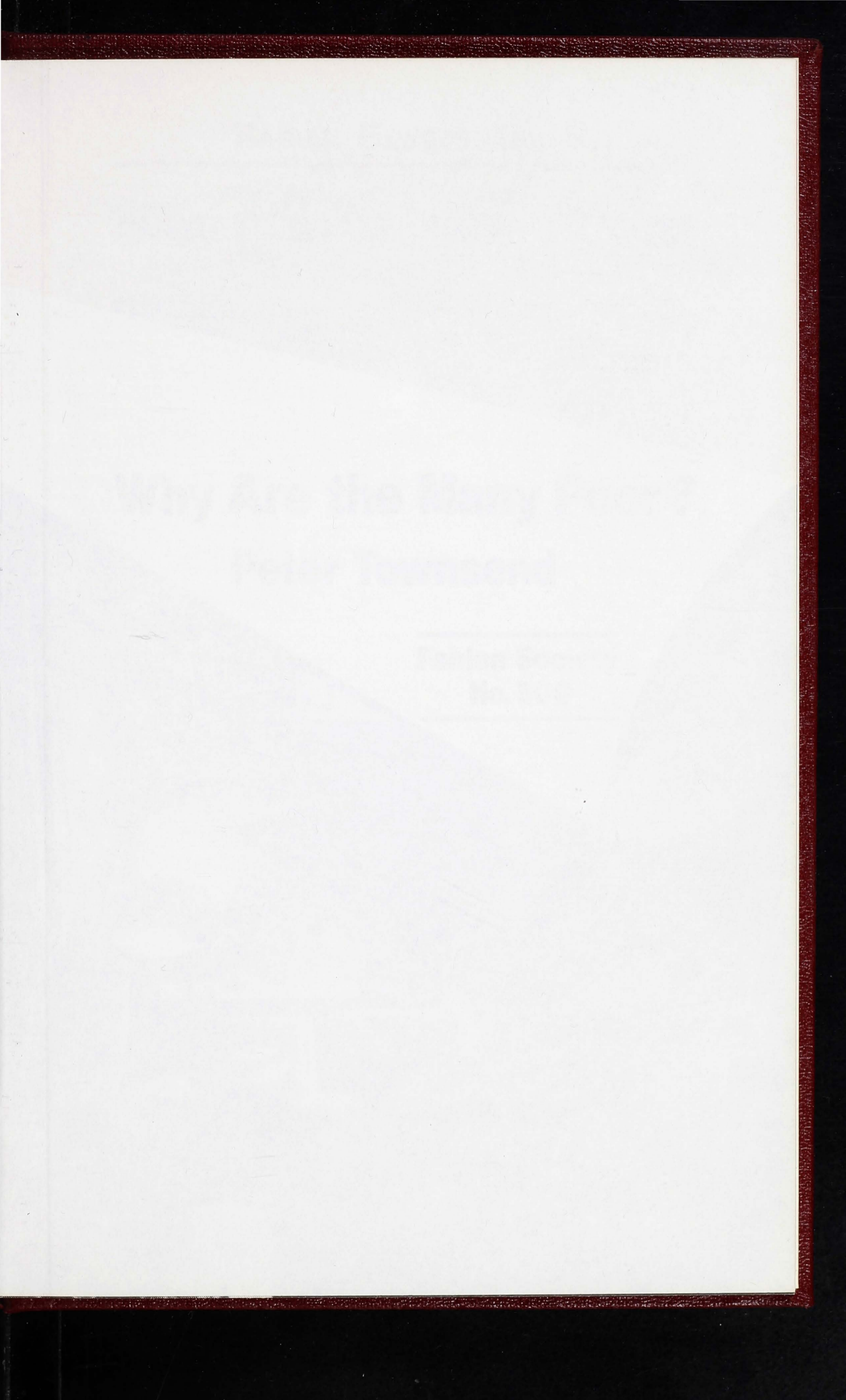
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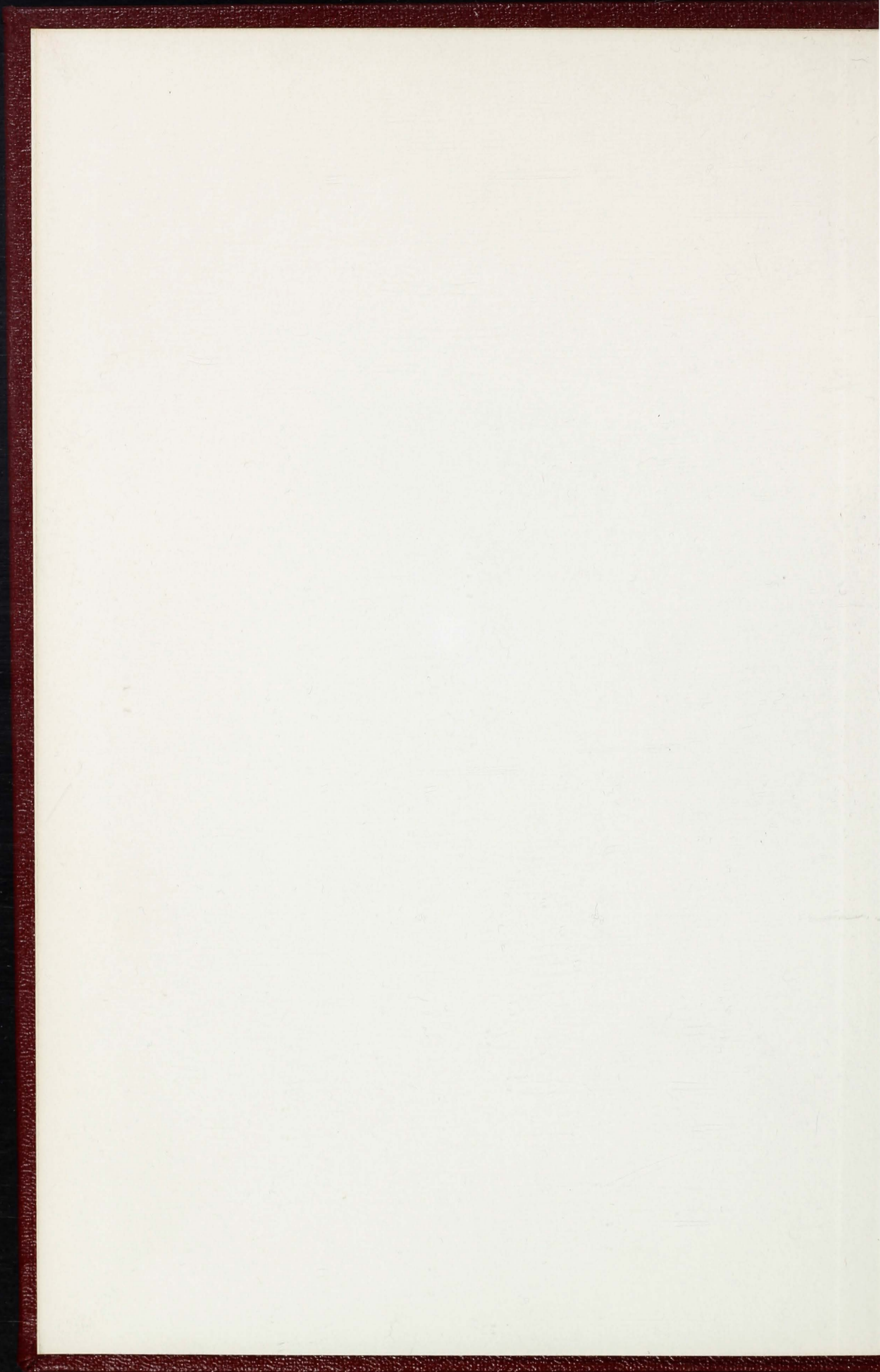


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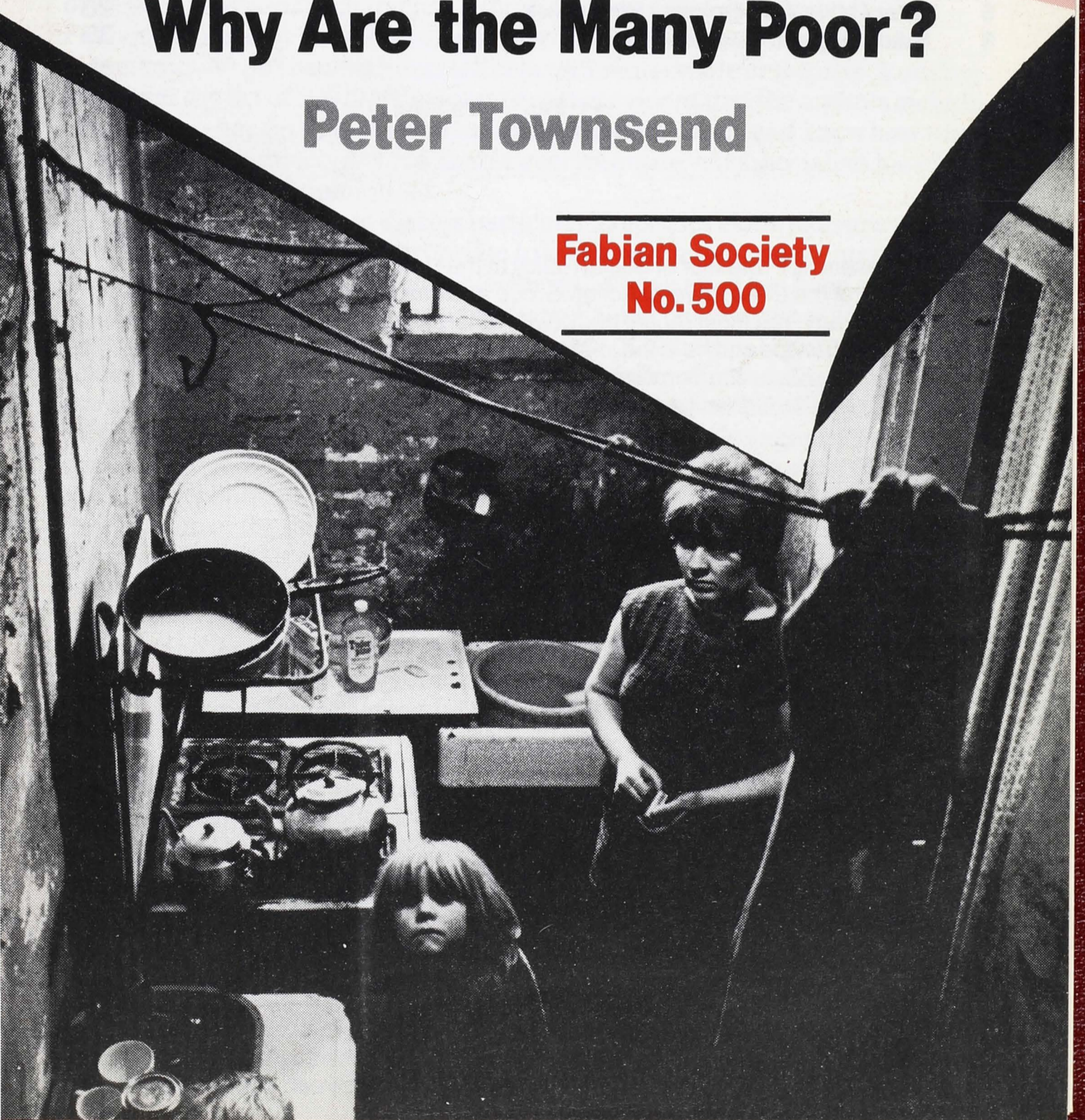
Why are the Many Poor?

WE live in a competitive society with Capital in the hands of individuals. What are the results? A few become some well off, the MAJORITY IN misery. Why of humanity?

Why Are the Many Poor?

Peter Townsend

Fabian Society
No. 500



Fabian Tract 500

Why Are The Many Poor?

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This pamphlet like all the publications of the Fabian Society, represents not the collective view of the Society but only the views of the individual who prepared it. The responsibility of the Society is limited to approving the publications it issues as worthy of consideration within the Labour movement.

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Preface: Fabian Tracts

It is a happy coincidence that the year in which the Fabian Society is celebrating its centenary should also be the year in which its 500th Tract is published. The first Tract, in the foundation year of 1884, asked *Why Are The Many Poor?* It is therefore appropriate that the same question should be addressed again in this centenary year, though depressing that it should need to be.

The Fabian Tract has become an institution on the British Left, and part of the landscape of British political life in general. The word 'tract' suggests the dissenting, missionary character of the enterprise that began when the first Fabians set up their Pamphlet Committee to advance the cause of social reconstruction on socialist lines. It has been a remarkable enterprise. Looking back over the list of 500 titles, it soon becomes evident that the authors include almost everyone on the Left who has had something to say and knew how to say it, and that the subjects include almost everything on which socialists have been expected to have an opinion.

If it is impossible here to discuss particular Tracts, let alone to assess their undoubted influence, it is appropriate to make one or two comments on the general character of Fabian pamphleteering. Above all, it has been an enterprise that has reflected the underlying Fabian belief in the efficacy of evidence and argument in advancing the cause of socialism. The most celebrated of the early Tracts, the *Facts for Socialists* that Sidney Webb assembled in 1887, provides striking testimony to this, with its Fabian device of turning the utterances of the political economists of the day against the conclusions of their authors. For the Fabians facts were weapons in the battle against the political economy of individualism, and were allies in the formulation of the specific proposals for legislative reform that became the Fabian hallmark. If people *knew* the facts then the cause of socialism would be advanced.

This also meant that Fabian Tracts were subjected to a daunting process of scrutiny and discussion before they were published. In the early days this process involved the entire membership, with proofs being critically discussed in the author's presence at members' meetings. Even today Tracts have to be read and approved in draft by Executive members and others who are knowledgeable about the subject in question, and authors (however illustrious they may be) are required to take account of critical comments that have been made. This is not to ensure conformity to any Fabian 'line', which beyond a general commitment to democratic socialism does not exist, but it has ensured that Fabian Tracts have required a reputation for factual reliability and unrhetorical argument. They are expected to be able to withstand informed criticism, and to be capable of persuading the unpersuaded. As the preamble to every Tract says, the Fabian imprint does not imply a collective viewpoint but only that the

contents are regarded as 'worthy of consideration within the Labour movement'.

However, if this now represents the only Fabian orthodoxy, it needs also to be said that Fabianism as represented by its Tracts has offered a programme for a practicable democratic socialism that carries with it an answer to the question raised so directly in that first Tract a century ago. It is a programme that has involved legislative reforms aimed at improving the security of social and economic life, but it is also a programme that has understood that any durable solution to the problems of poverty and inequality involves the progressive replacement of private economic power by forms of communal ownership and control. In this Fabian centenary year, with anti-collectivism in full swing, the need to restate this argument in contemporary terms (as Tract 500 does) seems particularly urgent.

In reading it, and looking back over the hundreds of Tracts on hundreds of subjects that have preceded it, it may be worth recalling the words with which Edward Pease, the Society's first Secretary, concluded his *History of the Fabian Society* in 1916: 'Neither the idle rich class nor the anarchy of competition is so outstanding an evil as the poverty of the poor. We aim at making the rich poorer chiefly in order to make the poor richer. Our first tract, "Why are the Many Poor?" struck the keynote. In a century of abounding wealth England still has in its midst a hideous mass of poverty which is too appalling to think of. That poverty, we say, is preventible. That poverty was the background of our thoughts when the Society was founded. Perhaps we have done a little to mitigate it: we believe we have done something to make clear the way by which it may ultimately be abolished. We do not constantly talk of it... but all the while it is that great evil which chiefly moves us, and by our success or our failure in helping on the reconstruction of society for the purpose of abolishing poverty, the work of the Fabian Society must ultimately be judged.'

IAN MARTIN

Why are the Many Poor?

WE live in a competitive society with Capital in the hands of individuals. What are the results? A few are very rich, some well off, the MAJORITY IN POVERTY, and a vast number in misery.

Is this a just and wise system, worthy of humanity? Can we or can we not improve it?

Hitherto it has escaped condemnation only because we are so ready to accept established custom, and because such general ignorance prevails both as to the evils to which our industrial disorder inevitably gives rise and as to our power to avert them.

The competitive system, which leaves each to struggle against each, and enables a few to appropriate the wealth of the community, is a makeshift which perpetuates many of the evils of the ages of open violence, with an added plague of tricks of trade so vile and contemptible that words cannot adequately denounce them.

What can be said in favor of a system which breeds and tolerates the leisured "masher," who lives without a stroke of useful work; the wage-slave workers, who toil for the mere mockery of a human life; the abject pauper and the Ishmael-minded criminal;—which makes inevitable and constant a three-cornered duel of dishonesty between the producer, the middleman, and the consumer?

What is Capital?

It is the sum of our instruments of production, and of the advantages of the work of former years. Its use is to be found in devoting it to the benefit of all; its abuse in leaving it in the hands of a few to waste its revenues in their own personal gratification. The present system gives to the few the power to take from the workers a huge portion of the product of their labor—

the labor which alone makes fruitful the capital bequeathed by generations of social industry.

What does it give to the many?

Their portion is poverty. This is the inevitable outcome of their competition for wages, and none know so well as the workers the full burden of that terrible and long-continued demoralisation which is brought about, not merely by the poverty of a generation, but by generations of poverty. With the smallest of chances the poor are expected to display the greatest of virtues. On scanty and uncertain wages they must struggle to maintain the independence, self-respect, and honesty of men and women, and to put by something for the rainy day that is sure to come.

Let the least depression take place in the labor market, and the worker is pitted against his fellow. The poverty of one is underbid by the greater need of another; and the competition for work reduces the highest wage of some and the lowest wage of all occupations to a pittance just above the starvation point, at which the least failure of health or work leads to pauperism.

This happens to nearly every worker; whilst the capitalist often retires with a fortune on which he, his children, and his children's children live without useful industry. Here is one out of many instances. The son of an owner of ironworks is now in the House of Lords; he has a fine town house and two or three country mansions; his children are brought up in ease and luxury. But where are the children of those whose work made the fortune? They toil from morning to night for a bare living as did their fathers before them.

• This ceaseless labor of the workers continually enriches those already rich, until extreme wealth enables a privileged minority to live in careless luxury, undisturbed by the struggle for existence that goes on beneath them.

Have laborers no right under the sun but to work when capitalists think fit, and on such terms as competition may determine? If the competitive standard of wage be the true one, why is it not applied all round? What, for instance, would be the competitive value of a Duke, a Bishop, or a Lord-in-Waiting?

Do economists, statesmen, and sociologists stand hopeless before this problem of Poverty? Must workers continue in their misery whilst professors and politicians split straws and wrangle over trifles?

No! for the workers must and will shake off their blind faith in the Commercial god Competition, and realise the responsibility of their unused powers.

If Capital be socialised, Labor will benefit by it fully; but while Capital is left in the hands of the few, Poverty must be the lot of the many.

Teach, preach and pray to all eternity in your schools and churches: it will avail you nothing until you have swept away this blind idol of Competition, this misuse of Capital in the hands of individuals.

You who live dainty and pleasant lives, reflect that your ease and luxury are paid for by the misery and want of others! Your superfluities are the parents of their poverty. Surely all humanity is not burnt out of you by the gold your fathers left you!

Come out from your ease and superfluities and help us!

You who suffer, think of this also; and help forward the only cure for these evils. The time approaches when Capital can be made public property, no longer at the disposal of the few, but owned by the community for the benefit of all. You can help to do this; without you it cannot be done. The power is in your hands, and chances of using that power are constantly within your reach. Neglect those chances, and you and your children will remain the victims of Competition and Capitalism—ever struggling—ever poor!

1. Introduction

The first Fabian tract, reprinted here, was published in 1884 with this title during a ferment of critical analysis of the effects of the industrial revolution in the nineteenth century and was a clarion call to socialise capitalism. Later tracts developed its themes in statistical depth and with considerable authority. Within a few years the case assembled by the Fabian Society against capitalism and especially the privileges of the rich was so voluminous and convincing that it attracted widespread popular support and could not be ignored. This helped to pave the way for the rise in the early part of the 20th century of the newly-founded Labour Party.

In the first edition of *Facts for Socialists* (Fabian Tract No. 5, 1887) precise statistical illustrations of the wealth of the wealthy were given and were compared with precise statistical illustrations of the impoverishment of the mass of the population. The powers of the rich had to be reduced; their wealth diminished; and public service had to replace private interest. During the early decades of the 20th century these calls were sustained. For example, in 1922, in Fabian Tract No. 200, Harold Laski drew upon this tradition to justify a range of new institutions to replace the old private order (in *The State in the New Social Order*). All underestimated the capacities of the institutions of privilege to withstand these attacks.

This pamphlet restates the argument put forward in that first Fabian Tract. Readers will find many wry analogies. Poverty was recognised as the central national problem of that time. Henry Mayhew's documentary vignettes, Charles Dickens' "social" novels, and Charles Booth's scarifying descriptions of the conditions of the people of London still provide testimony of that recognition. Poverty remains the central national (and international) problem and looms more ominously in the 1980s than at any time since the early 1930s. Unfortunately this conclusion cannot be regarded as universally accepted and has to be argued. Not

all socialists, even among Labour's Shadow Cabinet, are convinced of the present scale and destructive effects of mass poverty and are prepared to reflect that conviction prominently in their work.

Regrettably, the argument about the scale and regeneration of mass poverty not only in Britain but in the United States and much of Europe *does* have to be made. It is not a question of trying to influence political priorities to redistribute a little more income to a small percentage of the population, however much many influential public figures try to pretend it is, but one of clarifying, justifying, and adopting a programme to change radically the unbalanced structure and development of modern economies and modern societies to rescue hundreds of millions of the world's population from impoverishment and despair. As an increasingly involved member of a world community Britain needs a re-statement of its social and economic objectives. People are not physical beings with subsistence needs merely. They are social beings with roles to fulfil, obligations to honour and associations and customs to enrich as well as observe. At issue therefore is not just enhanced government "intervention" in a market economy (in the limited Keynesian terminology) but the dismantling of the institutions of social privilege (which include, but also go much wider than, the

institutions of capital) and therefore their replacement by new institutions of social equality based on full recognition of the needs as well as rights of individuals, families, communities and peoples. It will be apparent that this invokes the entire range of national and overseas trading and aid policies, as well as national employment, industrial, property-owning and incomes policies, and is not confined to mere domestic issues of social security, crucial as they are for millions of people.

The Thatcher government is contributing, albeit unwittingly, to the re-casting of democratic socialism in the twentieth century. It is determined to increase poverty. This has at least shaken many Labour supporters out of their ideological and analytical torpor. Economic growth during periods of Labour government has led neither to the resolution of poverty nor

much reduced inequality. The present weak infra-structure of the Welfare State is incapable of withstanding the new forms of deprivation manufactured week by week. An alternative anti-poverty strategy has to be found and applied.

At the heart of this pamphlet, therefore, is the argument that the conditions of the poor can be improved in the long run only by greatly restricting the power as well as the wealth of the rich. Simultaneous and connected action on wealth and poverty were very poorly represented in the Labour Party's election manifestos of 1979 and 1983 as well as in the manifesto for the European elections in 1984. We have to restore to public debate the connections which democratic socialists made automatically in their political analysis and policy prescriptions a hundred years ago.

2. The International Context

Conditions in Britain have to be set within the context of international finance, trade and development. Economic, political, military and professional operations are becoming increasingly internationalised. Analysts have been slow to adapt their descriptions and explanations of national problems to this fact.

The problem may be illustrated from the international statistics of poverty. These are of two kinds – expressing differences *between* populations and *within* populations. There is a huge difference between rich and poor countries in command over income. The income per person of countries in Western or Northern Europe, North America and the new oil-powers of the Middle East, when compared with the income of countries in the Far East, like

India, Pakistan and Bangladesh, or countries in Africa like Ethiopia and Mali, when standardised according to exchange rates, reaches a ratio of 50:1 and even 100:1, as illustrated in the accompanying table (Table 1). This measure exaggerates the differences, however, in purchasing power of real incomes and tends to ignore the equivalent of income from food growth and consumed by the families of small-holders. The World Bank estimates

TABLE 1

Inequalities in World Living Standards (1982)

State	Ranking of wealthiest state per person	GNP per person US Dollars Poorest 20 per cent	GNP per person US Dollars Total population
Sweden	6	5,054	14,040
Germany FR	9	4,922	12,460
Netherlands	13	4,427	10,930
Norway	5	4,498	14,280
United Kingdom	18	3,381	9,660
France	10	3,095	11,680
United States	7	3,027	13,160
		Richest 20 per cent	
Brazil	40	7,459	2,240
Mexico	38	6,549	2,270
Yugoslavia	31	5,418	2,800
Malaysia	44	5,217	1,860
Korea FR	43	4,326	1,910
Turkey	51	3,870	1,370
Peru	55	3,996	1,310
Philippines	64	2,214	820
Thailand	66	1,967	790
Indonesia	71	1,433	580

Note: the figures in the second column are estimates based on studies of the distribution of the total disposable household income for different years in the 1970s. They can only be regarded as affording a very rough guide. Note that estimates of GNP are not available for most of the Eastern European countries, and that information is lacking for many countries on the distribution of income.

Source: World Bank (1984) *World Development Report, 1984* Tables 1 and 28.

that when inequality is measured in purchasing power rather than by exchange rates the average ratio of income per person for industrial countries, is reduced from 48:1 to 12.1 (World Bank, *Report for 1982*).

Many millions in the Third World are therefore living at standards which can only be described as those of utter destitution. History helps to explain why the discrepancy between our (average) standard and theirs is huge. Socialists are conscious of the shameful history of colonisation by European countries. The civilisations of Latin America, Africa and the Far East were plundered and their populations mercilessly enslaved and exploited for centuries. Explanations of present-day Third World poverty which are based on the unequal distribution of "natural" resources, human drive and inventiveness and technology have to give way to this dominating truth. Market relations between territories were inevitably founded on both covert and naked oppression and the fact that the structures of colonialism have survived the nominal achievement of independence by these countries is unsurprising. But the failure of most Third World countries to close the gap, still less catch up the rich elite of countries, has nonetheless embarrassed the international fraternity represented by the United Nations, the IMF and the World Bank and continues to puzzle some socialists who had subscribed more to latter-day "modernisation" than either "dependency" or Marxian theories of development. The highest-value cards had already been dealt to the rich countries before the start of the new international power game. These countries already had a disproportionately large share of resources, education, skill, technology and professional and administrative positions in the network of international organisations governing trade, banking, manufacture and services. And a different form of imperialism was entering its early stages. Capitalism was being internationalised (and legitimated) through the instruments of the multi-

national company and international agencies like the EEC. The Rome Treaty must be understood as an agreement to facilitate the emergence of multi-national companies and also to preserve and enhance the interests of what had formerly been the most powerful imperial powers in the world. The member-states have actually increased their income relative to the countries of the Third World. By 1981 the two richest countries, as measured by income per person, were the United Arab Emirates and Kuwait but the next eight were all European nations (Switzerland, Germany, Sweden, Denmark, Norway, Belgium, France and the Netherlands) – six of whom are member states of the EEC.

Dual poverty

But this account is beginning to neglect trends in *internal* development. The international context within which Britain is placed is one marked by a dual inequality within nations as well as between nations. The ratio of income *within* many of the rich nations between rich and poor classes is as high as the ratio between rich and poor countries. Unhappily even less effort is put into defining and documenting such internal inequality by governments than into defining and documenting inequality between countries. Facts are not just an embarrassment of life which have to be lived with, excused or passed off as inconsequential. They can also be actively concealed by those who have administrative power to deny access to them. We have to rely for our information about inequality across countries on rather generalised measures of the percentage of aggregate disposable income taken by the richest 10 per cent, the next 10 per cent and so on. Moreover the relationship between this internal inequality and that between nations is rarely discussed or even examined. There are familiar descriptions of the kind that in rich countries like Britain the 20 per cent with the highest incomes accounted for 42 per cent of aggregate

disposable income and the poorest 20 per cent only 6.4 per cent of such income (*Economic Trends*, July 1984). The former Royal Commission on the Distribution of Income and Wealth, during its short life from 1974 to 1979, was fond of presenting descriptive measures of this kind but it did not go on to show how ownership of assets and receipt of benefits in kind from employers (for example, cars, subsidized housing, school fees for children, benefits in sickness and occupational pensions) made inequalities in real living standards even more marked. Nor were the sources of those inequalities traced to the proportionate effects of the cumulative decisions being taken by governments, employers and others in fiscal, subsidy, welfare, wages and employment policies.

There are a variety of studies of the comparative distribution of income which have suggested that, of the rich countries, the advanced "welfare states" like Sweden and New Zealand, and Eastern European states like Czechoslovakia and Hungary, are least unequal (H Lydall, *The Structure of Earnings*, 1968). Evidence from the Third World suggests that the richest one or two per cent of their populations tend to be relatively richer, and the mass of the population relatively poorer, than in European and North American countries. But the evidence is very incomplete for a lot of countries and there are paradoxes. Thus the World Bank's Report on World Development for 1983 shows that in the Federal Republic of Germany and India the richest 20 per cent took 49 per cent and 45 per cent respectively and the poorest 20 per cent in both countries took only 7 per cent of aggregate disposable income. The structure of inequality was broadly similar in the two countries. The assumption that western or northern populations are much less unequal than the populations of the south appears to demand a lot of qualification. In so far as it has been justified in the past the assumption is becoming much more doubtful.

Overlapping living standards

Because of the marked inequality *within* the countries of the world the overlap in living standards between rich and relatively poor countries is pronounced. This is illustrated from World Bank figures in the second column of Table 1. The chosen division into groups of 20 per cent covers, of course, a very substantial segment of each population. As measured by exchange rates the poorest 20 per cent of the British population are a lot poorer than the most prosperous 20 per cent in Mexico, Yugoslavia, Malaysia and Turkey. Other measures of "real" income might tilt the balance even more decisively against the former. These examples help to call attention back to some of the issues of internal social inequality, from which political attention has been diverted. As I argue below, accelerating inequality in Britain is just an illustration of a pattern which may be becoming common by virtue of economic and political development. There is a distant and not altogether unrealistic prospect of wage rates for many groups in Britain being forced down to the exchange-value rates of those in the Third World, with some of the welfare services and facilities established for the working class in particular in the twentieth century disappearing in the process.

But the poverty of the first world is still only rarely believed to be related to the poverty of the Third World because poverty is believed, myopically, to be a responsibility of individuals or, at most, of governments. Admittedly poverty is now officially agreed to be substantial. Thus, the European Commission accepted in 1981 that there are 30 million people in the member countries of the EEC, or about 10 per cent of the population, who are in poverty (Commission of the European Communities, *Final Report from the First Programme of Pilot Schemes and Studies to Combat Poverty*, Brussels, 1981). Given the sharp increase in unemployment since 1981 that total will now be a lot higher. For the United States, the latest

official estimate of the number in poverty is put at 29 millions, or 13 per cent (Social Security Bulletin, *Annual Statistical Supplement*, 1982). For Canada and Australia official estimates are also substantial.

The figures for the rich countries are huge but are nonetheless dwarfed by the numbers of poor in the poor countries. In its Development Report for 1981, the World Bank stated that there were 750 million people in low income countries, or about 33 per cent of the total population, in absolute poverty. The trouble is that the criteria applied are very rough and are not the same as are applied in the rich countries. On the one hand rather bare standards of physical subsistence appear to be being applied in the Third World. On the other, some of the real resources available in practice to many in the population, and a lot of the wealth of the wealthy which potentially might be made available for distribution, are not counted.

Scientific criteria which are common to all populations need to be developed in the teeth of clever political obstruction. The demands made upon people to fulfil society's expectations of them as workers, citizens, parents, neighbours and friends have to be clarified and spelt out. The minimum resources required to perform these roles can be approximately defined. It then becomes possible to ask how society's resources can be reallocated so that the lives of its people can become more worthwhile still. For the key thing in this debate about poverty is to insist that throughout the world human needs are not different in kind and they must not be restricted in definition to what is physiologically required for mere physical survival. It is a form of racism to suggest that "unsophisticated" peoples have lesser needs than those who are members of complex "civilisations" just as it is a form of ruling class arrogance to suggest that the needs of the poor can be properly met if they are provided with the means of subsistence. Political influence takes many subtle forms. Through a process in the twentieth century which can only be

described as one of intellectual attrition even socialists are often inclined to accept pusillanimous objectives on behalf of the mass of the poor overseas and at home. This includes too ready acceptance of the definition of "subsistence" or "basic" needs. All of us have to understand better than we do how we are brain-washed into depreciating the needs and rights of poor people.

Concepts and the implications for development

If a consistent international and scientific definition of poverty is to be reached a "social" has to be substituted for a vicariously "physical" standard and that will mean abandoning a fixed or absolute standard. The attainment of physical efficiency is necessarily through social goods and relationships. People's physical needs depend on the food, shelter and clothing which are available socially at a point in time in the life of a country, and that satisfy the demands made upon them in undertaking the work, fulfilling the roles and observing the customs expected of them. Their needs arise and have to be defined in the present and not by reference to the conditions and standards of the past. All this necessarily represents a challenge to the international relations of development of the Third World as well as to the internal social policies of the rich countries.

What we have to understand is that through the internationalisation of trade, aid, production, finance, the professions and even political control the structure of poverty is changing. Some elites in the Third World have much in common with the rich of the First World. They hold enormous wealth, in many cases they were educated in the West or represent professions regarded as having international status as well as influence, and therefore expect to be treated as social equals – in terms of conspicuous consumption too – when they come to occupy corresponding roles in their own countries. This has helped to create the polarised societies of

many Third World territories in the first years of newly found "independence". At a second stage what has been called a "development alliance" of wealthier classes evolves in partnership with or even sponsored by overseas interests to maintain or even deepen that situation. In countries like Mexico, rapid economic growth has not led to reduced inequality. Instead an alliance between large- and medium-scale employers, salaried employees, including those in the powerfully placed government, and regular wage-earners has pushed through selective improvements for top management, professions and

administration, and the better entrenched section of manual workers.

Small-scale employers, day-labourers, "family" workers and the huge numbers of dependent poor have lost out (see, for example, W. van Ginneken, *Socio-Economic Groups and Income Distribution in Mexico*, a study prepared for the ILO World Employment Programme, 1980). The creation of more poverty and increased inequality through the realignment of classes and the development of what might be called "pedestal elites" suggested by this example must now be applied to rich countries as well.

3. The Recreation of Mass Poverty in Britain

As we have seen, poverty is extensive throughout the world and is growing in many countries. In Britain mass poverty is being recreated in the 1980s. Although it had grown during the 1960s and 1970s its extent has certainly accelerated during the early 1980s. This remains true whether we consider official or independent evidence and can even be traced in polls of public opinion.

What *is* poverty? There are different historical and scientific approaches, in particular three which have proved to be important. They turn on the ideas of physical "subsistence", "basic needs" and "relative deprivation". The first is the one which has had most influence in Britain and other industrial countries. Expressed briefly, poverty is insufficient income to maintain physiological efficiency. The second includes the first and was promoted by the International Labour Office in the early 1970s and is used in discussions

of poverty in the Third World. Poverty is insufficient income to maintain physiological efficiency *and* insufficient facilities, like safe drinking water, sanitation, public transport and health services and education to maintain viable communities. The third includes the first two and arguably provides the best scientific basis. Again expressed briefly, poverty is insufficient resources (i.e., widening the idea of income to include assets and goods and services in kind) to obtain the conditions of life, i.e., the diets, amenities, standards

and services to allow people to play the roles, participate in the relationships and follow the customs which are expected of them as citizens (see a recent discussion of the three, P. Townsend in M. Loney et al, eds, *Social Policy and Social Welfare*, 1983). Poverty is more than inequality. It is a state of demonstrable deprivation (as measured by premature death, disability or ill health, lack of the common facilities of membership of society and withdrawal from or denial of participation in common social roles and relationships).

The approach followed in Britain can be traced historically. Like most countries, Britain has evolved social security schemes to help people who have insufficient income to meet the so-called basic necessities of life. These schemes have developed historically from outdoor relief paid by the parish, public assistance paid by local authorities, then National Assistance, and finally, from 1966, Supplementary Benefit paid by central departments of the state. The weekly amounts in cash have been increased year by year because of inflation and growth of real earnings but the justification for the rates which are paid originates in a subsistence standard (covering necessities like food, housing, clothing, fuel and household sundries,) which had first been worked out in the late nineteenth century and was brought up to date in 1942 by Lord Beveridge.

The ordinary rate of supplementary benefit for a single householder is currently £26.80 per week, for a married couple £43.50, and for each dependent child an amount varying from £9.15 (under age 11) to £21.45 (18 and over). The total sum received varies therefore according to family composition. It is intended to cover all ordinary needs except housing costs, which are now generally met through housing benefit administered by the local authorities.

The amounts are inadequate by any criteria we care to apply. The allowance for a child under 11 years of age is £1.31 per day. How might this princely sum be

divided between the different needs? It so happens that guidelines about clothing are published by the Chief Supplementary Benefit Officer. Two vests and two pairs of shoes are included for each child, two shirts for a boy, one summer and one winter dress for a girl but no belt, tie, hat or gloves and no plimsolls, no swimming costume and no other sports clothes are included. This spartan wardrobe is estimated to cost £143.00. If each of these items was supposed to last 12 months (an optimistically long duration in my experience) then £143.00 per year would mean setting aside 39p per day, or just under £2.74 every week. If 39p is deducted from £1.31 there will remain 92p a day available for food and everything else. If only the most meagre allowances are then made for heating and lighting, household sundries and other items, excepting food and drink (see the report for the Child Poverty Action Group by David Piachaud on *Children and Poverty*, 1981) another 43p at least would have to be deducted.

Failure to justify benefit rates

The result is absurd. A budget plan of this kind would leave an allowance of 50p a day for food and drink for a child. In 1984 this would have covered the cost of a large loaf of bread, or one pork chop, or two twelve ounce tins of beans, or a fair-sized cabbage. The impossibility of providing a varied, nutritious and acceptable diet on such a sum does not require much argument. Neither the Government nor DHSS officials ever attempt to defend the rates they pay by reasoned exposition of a low-budget plan. Families obliged to live for long periods on supplementary benefit have to adopt desperate strategies to live at all. To get enough to eat, families leave heating and lighting bills unpaid or do not buy clothes or shoes; they withdraw from social associations of particular kinds. People live precariously, many of them in debt (see for example, L Burghes, *Living from Hand to Mouth*, Family Service Un-

its and Child Poverty Action Group, 1981).

No official attempt has been made to demonstrate that all the necessities of life, as defined by the Government itself, can be purchased with the sums available under the supplementary benefit scheme. In 1982 the Chairman of the Social Security Advisory Committee, Sir Arthur Armitage, re-iterated the view of the Committee that, as soon as possible, supplementary benefit scale rates should be improved in real terms. "The rates... are too near to subsistence level to provide an adequate standard of living for the poorest people in our society." (*Second Report of the Social Security Advisory Committee*, 1982/3, HMSO, p 94). There is powerful support for the view that a scientific poverty line would have to be drawn at a higher level of income. The rates nonetheless provide a convenient yardstick by which the extent of poverty, as perceived officially, can be measured. This yardstick has been accepted and used for more than 20 years.

During the late 1950s and early 1960s the total number of people partly or wholly dependent on means-tested assistance from the state fluctuated between 3 and 4 millions. By 1983 the number had increased to well over 7 millions. A substantial part, but not all of this increase was due to the rise in unemployment, particularly after 1979. But there has been a marked increase in the numbers of others becoming dependent on the state, particularly one-parent families, sick and disabled people and retirement pensioners. Next, the numbers living below or just above this level of income represented by means-tested assistance from the state have also shown a tendency to rise in the same way. For 1960, for example, it was estimated that 1.3 millions had less income than the state's standard, but for 1981 the corresponding estimate had reached 2.7 millions. According to data collected by the state and related to its own measures of adequacy the number of very poor people more than doubled be-

tween 1960 and 1981. Table 2 summarises the trend. The figures are all drawn from the same source, namely, the Government's Family Expenditure Survey, which is a continuous national survey of both income and expenditure. In the four quarters of 1984, for example, 10,000 households were approached for interviews and record keeping in all parts of Britain and an additional number in Northern Ireland. There is reason to believe that this survey gravely underestimates the number of people with low incomes but it does at least represent a source of consistent national information.

There are many other indicators of the increasing extent of poverty. The Department of the Environment has documented increases in the numbers of homeless since 1976 for every region of the country. Several reports have stressed the growing problem of hardship arising from fuel disconnections (for example, M. Winfield, *The Human Cost of Fuel Disconnection*, Family Service Units, 1982). There are also the statistics of stress. For example, suicide rates have been rising by about 3 per cent per annum since 1976 and have been markedly higher among the unemployed than among the employed. The numbers of children in care and prisoners are relatively higher than in the 1960s and early 1970s. Inequalities in health remain sharp with infant mortality rates still more than twice as high among families of unskilled workers as among families of professional workers (*OPCS Monitor*, 1 May 1984).

By comparison with certain rich countries the health of the population in general as measured by various indicators has not been improving. Thus Britain's overall mortality rate is highest of all the countries of the EEC (Eurostat, *Basic Statistics of the Community*, 1981). Other countries have experienced swifter improvements in infant mortality rates. A European Commission survey found that of 141 regions in the Community Britain had 8 regions among the 15 with the worst problems (Northern Ireland; Merseyside; Dumfries

TABLE 2

Changes in extent of poverty 1960-1981 (Britain)

Income in relation to supplementary benefit scale rates	Numbers in thousands			
	1960 ^a	1975	1979	1981
Below supplementary benefit level	1,260	1,840	2,100	2,810
Receiving supplementary benefit^b	2,670	3,710	3,980	4,840
At or up to 40 per cent above supplementary benefit level	3,510	6,990	5,210	7,350
TOTAL	7,440	12,540	11,290	15,000
	Percentage			
Below supplementary benefit level	2.3	3.5	4.0	5.3
Receiving supplementary benefit^b	4.9	7.0	7.6	9.1
At or up to 40 per cent above supplementary benefit level	6.4	13.2	9.9	13.8
TOTAL	14.2	23.7	21.4	28.2

Notes:

- a. The data are for the UK and are on a household rather than an income unit basis. It should be noted that the estimates are based on national assistance scales, not supplementary benefit scales.
- b. Drawn separately from supplementary benefit sample inquiry with people drawing benefit for less than 3 months excluded. In the FES such persons are categorised according to their normal income and employment.

Sources: For 1960, B. Abel-Smith and P. Townsend, *The Poor and the Poorest*, 1965, pp. 40 & 44. For subsequent years, DHSS (SR 3) analyses of the Family Expenditure Survey.

and Galloway; Strathclyde; Northumberland, Tyne and Wear; Cleveland and Durham; Gwent and Mid, South and West Glamorgan; Cornwall and Devon; and the West Midlands) (*Guardian*, 10 March, 1984).

Inefficiency of means-tested benefits

A large number of those below the Government's poverty line do not draw all the benefits to which they are entitled. Even the Government accepts that the number drawing supplementary benefit is only 70

per cent of the number who are entitled to such benefit. In November 1983 the annual saving to public expenditure due to people not taking up the benefits to which they are entitled was estimated to be £760m per annum (*Hansard*, Col 540-3W, 30 November 1983). There are therefore major problems of take up of means-tested benefits which are attributable to the poor form or quality of administration, the grudging or disparaging attitudes of management, poor publicity and ambivalent attitudes on the part of the public in general and not just to minority attitudes of pride or disinclination to apply. But there

are also problems of take up for some non means-tested benefits, particularly for people with disabilities. Studies in Strathclyde, North Yorkshire, Chapeltown, and Harlow for example, as well as among a national sample of children, have shown a huge shortfall (J. Casserley and B. Clark, *A Welfare Rights Approach to the Chronically Sick and Disabled*, Strathclyde Regional Council, 1978; *Disability Project Report*, Chapeltown CAB 1980; T. Bennet and P. McGavin, *Pynest Survey Report*, Harlow Community Services Department, 1980). The income of people with disabilities could be nearly doubled on average if everyone obtained their full rights. Even among disabled children only between a half and two thirds of those who appear to be eligible are receiving attendance allowance (K. Cooke, J. Bradshaw and D. Lawton, "Take up of Benefits by Families with Disabled Children", Child Care, Health and Development, 1983, p 145). The evidence given by the DHSS to the House of Commons Social Services Committee in 1982 suggested that £90m was unclaimed by disabled people under pensionable age in 1979, or £15.40 per week per claimant. At end 1984 prices these figures would become £150m altogether and £25 per person per week respectively.

Many hundreds of thousands of families on low incomes would get a higher income from the state if they knew more about their rights and were prepared to apply for benefit, or if state benefit schemes were administered more considerately and efficiently. Their numbers are growing. But although changes in information, attitudes and administration might all contri-

bute to an easing of the severity of the problem they would not transform its nature.

Who are the poor? The Government estimated that there were, in 1981, 15 million people with very low incomes, including those with lower incomes than the state poverty line, those with incomes on that line, and those with incomes only marginally above. Nearly 6 millions of these were people of pensionable age (nearly 2 millions of whom were also disabled), nearly 4 millions were in families dependent on those in full time work, over 2½ millions were in the families of unemployed people, nearly 2 millions were members of the families of single parents, and rather less than a million were disabled people under pensionable age and their dependants. Counted in these various categories were over 3½ million children, half of them in working families.

The use of the adjective "mass" before poverty is therefore justified – even on the basis of the state's own threshold definition of low incomes. The numbers in the categories I have described have doubled, from 7¾ millions to 15 millions in 20 years under successive governments but have accelerated in the last five years. Between 1979 and 1981 the total increased from just over 11 millions to 15 millions – or by nearly 4 millions – and there is no discernable halt to that trend. Since 1981 long term unemployment has increased substantially, and so have the numbers of people obliged to resort to supplementary benefit (from less than 5 millions to substantially over 7 millions). Instead of 15 millions poor the total could now be 18 millions.

4. The Causes of Mass Poverty

The more that the causes of mass poverty in Britain are explored the easier it becomes to identify factors which are held in common with other rich countries and with poor countries. In this section we will begin by finding how study of the different categories of poverty in Britain, and then of the "life-cycle" of poverty, leads inevitably towards a "structural" explanation – particularly in terms of the interaction of the state, the money market and the labour market, the wage system, taxation and social security, the production and allocation of wealth, and the institutions of social structure and consumption.

The recent increase in poverty in Britain is partly but by no means wholly due to an increase in unemployment. In the early 1960s only about 250,000 people were in families with very low incomes because of unemployment which had lasted three months or longer. By the late 1970s the figure was in excess of one million. Between 1979 and 1981 the figure leapt to 2.6 millions. The marked historical fluctuations as well as a ratio of more than 20 unemployed for every job vacancy make nonsense of attempts to "explain" unemployment, and therefore poverty, in terms of individual shortcomings or lack of incentives (lately expressed in the jargon of "replacement ratios" i.e., the ratio of income when unemployed to income when employed, by monetarist and neo-classical economists).

But other categories of poor have also increased. Between 1971 and 1981 the numbers of one parent families increased by 71 per cent and now stand at nearly one million families. This is approximately one family in every seven with children. The long-standing inequality between the sexes in access to resources and the institutional bias in favour of conventionally married couples contribute to the poverty which lone parents and their children experience.

There have been fluctuations in the percentage of old people drawing supplementary benefit. During the last 25

years there has been a slight increase in the total proportion living on low incomes from around 60 per cent to 68 per cent. The actual number living *below* the state's standard has increased – most sharply of all between 1977 and 1979, from 760,000 to 1,190,000 or by 430,000. Much of the poverty of the elderly has been "created" by the modern institutions of retirement and inadequate employer and state pensions. The total number of younger disabled people living on low incomes has stayed around the $\frac{3}{4}$ million mark in the last ten years, but within that total the number with the lowest incomes, that is below the poverty line, has increased. Again, employment opportunities, and access to social associations, continues to be denied to many people with disabilities.

The number of low paid in poverty or on its margins has also increased. Government statistics tend to leave out representation of some of those with the lowest earnings. Nonetheless, the trend as shown by Table 3 is unmistakable. The tenth of wage earners with lowest earnings have wages below a cut off wage which itself can be compared with high wages and the median wage. This "indicator" wage has fallen to 64.1 per cent of the median in the case of men and 66.4 per cent in the case of women (1983). Further evidence of the multiplication in number of low earners is to be found in the doubling in recent years

TABLE 3

Trends in weekly earnings,⁽³⁾ men and women, 1973-1983

Year	As percentages of the median ⁽⁴⁾			
	Men		Women	
	lowest decile(1)	highest decile(2)	lowest decile(1)	highest decile(2)
1973	65.6	158.5	67.4	164.7
1974	66.8	157.0	67.7	159.1
1975	67.0	157.6	67.4	164.5
1976	67.6	159.5	66.1	165.9
1977	68.1	157.7	68.6	162.1
1978	66.8	157.9	69.1	161.4
1979	66.0	156.9	69.4	158.6
1980	65.9	161.6	68.4	161.3
1981	65.6	167.7	68.0	172.6
1982	64.5	168.1	66.9	169.0
1983	64.1	169.7	66.4	168.3

Note:

(1) lowest decile = the level of earnings below which there is 10 per cent of the ranked distribution of earnings

(2) highest decile = the level of earnings above which there is 10 per cent of the ranked distribution earnings

(3) As measured by *hourly* earnings the pay of the low paid has fallen more sharply than as measured by *weekly* earnings

(4) Another important indicator is that, particularly for men, *median* earnings have been falling relative to *mean* earnings 1979-1983

Source: *New Earnings Survey 1983*

of the numbers drawing Family Income Supplement. The Low Pay Unit has concluded "the small amount of progress that was achieved in reducing earnings inequalities in the 1970s has now been completely reversed" (Low Pay Unit, *Low Wages and Poverty in the 1980s*, Dec. 1983, page 8). An institutional process of grading jobs and therefore wages more unequally is going on. At the lower as well as the higher end, as argued earlier, this is in conformity with the changes taking place in the international economy and division of labour.

For connected if complex reasons, therefore, different minorities in the population are being shepherded into states of dependency. A mass underclass is being created to serve the visions of a new international ruling class of haughty and socially distant political, managerial, professional and technological leaders.

The life cycle

Another method of getting closer to the structural causes of poverty is to examine changes in the distribution of incomes by

age. At the beginning of the century observers noted the higher risk of poverty in childhood, in early adult life when child dependency was largest, and again in old age. Although marriage was sometimes postponed for reasons of poverty, a substantial majority of the population married and had big families, thus allowing (at least for the working classes) only a short period of comparative prosperity in late middle age before the unremitting poverty of old age. In modern times the distribution has tilted towards the extremes of age. A disproportionately large number of children (28 per cent, by the Government's estimates, compared with 17 per cent of adults under pension age) and of old people, especially over 75, have incomes below or on the margins of the Government's poverty line (P. Townsend, *Fewer Children, More Poverty; an Incomes Plan*, University of Bristol, 1984). In middle life, between the ages of 45 and 60, disposable incomes tend on average to be nearly twice or more than twice the incomes available to the households in which young children and old people live.

The reasons for the growing inequality by age in the distribution of resources are several. Young people have been marrying younger and having their children younger than preceding generations. This means that many couples in middle age do not have dependent children to support. More married women of this age are not taking part time or full time paid employment and this means that for many households in middle life there are two wage earners rather than one wage earner at a time when there are no dependent children. More of the employed population are in non-manual employment and therefore eligible for age increments in pay. "Seniority" payments among manual workers have also become more common. People who reach the most powerful managerial, professional, administrative and political positions – as company directors, senior executives, chartered accountants, lawyers, stockbrokers and bankers, and senior civil servants are generally in this

age group. Finally, the spread of owner-occupation means that more people have high costs during their years when raising a family and low housing costs when they have no dependent children. The system of housing finance is favourable to the prosperous middle aged and unfavourable to young adults with children.

The power of institutions

The more that the pattern of poverty and inequality is examined in relation to population the more that the institutions which are responsible for the scale and trends in amounts and sources of income have to be examined to explain the part they play in the final maldistribution of resources and therefore in making inevitable the emergence of a more unequal class structure.

A theory of poverty depends on a two-fold analysis. One strand of explanation is to show how different institutions of economic and social management operate to distribute resources unequally. The other is to show how the terms of social membership are continually revised by new laws, new housing, new transport systems, new environments and modes of living. This explains what individual members of society *need* to do at any time and what resources they require to minimally fulfil their obligations as citizens. Rich elites are predominantly in control of the decisions which are taken to develop technologies, enlarge and police professions, enact laws and develop markets and pioneer social customs as well as consumer goods. They create the kind of society we live in and not only control the distribution of income.

The conditions which govern the roles that citizens are expected to play and the customs they are expected to observe therefore also shape the needs they find they have to meet in a modern society. Control of poverty therefore lies not just in controlling the allocation of resources but controlling the construction and re-

production of those institutions which govern social behaviour.

Jobs and wages

The problem arises first and foremost in the institutions of employment and the wage structure. The growth in influence and power of the large corporation has been succeeded by the crucial phenomenon of the multi-national corporation. One measure of its power is financial turnover, and the financial turnover of some multi-national corporations like Exxon is larger than the budgets of countries like Saudi Arabia and Switzerland. Because of their flexibility to enter and leave international markets, multi-national companies are overcoming the restraints imposed on them by some national governments. Threats of nationalisation, for example, can be met by shifting production to other countries or by separating production into stages, so denying any single country access to control of all the stages of production. The relocation of manufacturing industry in Third World countries can involve both the introduction of harsh nineteenth century conditions of industrial employment in those countries, and mass unemployment and devastation of communities in areas of the rich countries from which industrial production has been withdrawn.

For workers and representative trade unions this means a weakening of bargaining powers and means of control over both their work and their membership of the local community. In conditions and place of work as well as remuneration it is felt that concessions have to be made to management in order to preserve jobs. For management, there is a less widely discussed problem. Loyalties to family concerns, work groups and local communities are replaced by the uncertain disciplines of international camaraderie within big organisations. There is bound to be loss of national as well as local affiliation, and certainly among some a growth of social cynicism which knows few geographical

roots and depends more and more upon the advancement of self-interest. To which societies or social groups do members of the international jet set belong?

It is disinvestment and the relocation of employment overseas, and not just world recession, which has brought about mass unemployment in the 1980s. An example is Scotland. The authors of one study (N. Hood and S. Young, *Multi-nationals in Retreat, the Scottish Experience*, 1982) describe the disinvestments of Singer, Chrysler-Peugot, Hoover, NCR, Honeywell and Goodyear, and the resulting loss of 45,000 jobs between 1976 and 1981. Even more detailed case studies of individual plants (for example, S. Maxwell, *Scotland, Multinationals and the Third World*, 1982) help to show the relative unaccountability of multi-nationals as well as the discrimination of the state in favour of companies based overseas rather than in favour of national and regional interests. Over a third of the total production of the top 50 British-based manufacturing companies is represented by overseas output. There are many examples of trends in company policy. BOC for example has over 60 per cent of its production overseas. By 1980 only 27 per cent of its investment was in the UK and by 1981 the UK workforce was reduced by 2,700 to 700 at a cost of over £17m while ten times as much was spent maintaining or creating jobs overseas. To the problem in Britain of disinvestment and relocation of industry overseas have to be added the increasing use by management of the threats of robotics, computerisation and privatisation to suborn and reduce labour forces. The politics of wage control is being replaced by the politics of redundancy.

Finance and pay at the top

The internationalisation of finance is a parallel trend. Those in charge of insurance companies, unit trusts, pension funds and other institutions have been transferring money overseas. There are many indicators of this trend and also of the increasing

domination of the British finance sector by overseas institutions and international capital flows. (See, for example, R. Minns, *Take Over the City*, 1982). What does this mean? It means that the health of the British economy is of lesser importance than it used to be to those in leading positions in the city of London. The financial viability and profits of concerns and individuals is more and more dependent on developments overseas rather than at home. Industry can be charged the same rates as are charged in Taiwan, despite the fact that in that country there is cheap labour and far fewer safeguards to protect people at work and finance services and facilities for their housing and welfare.

International agencies increasingly provide the administrative and institutional machinery to facilitate these industrial and market developments. The process began in 1944 at Bretton Woods with the agreement to set up the World Bank and the International Monetary Fund as instruments of financial and monetary control. The Marshall Plan and the Organisation for Economic Cooperation and Development helped to fulfil the plans for the reconstruction of Europe and the later establishment of the EEC. Through international agencies of the UN and the EEC new rules have been evolved to help develop a new international system of finance, investment and trade more in conformity with market values and hence unable to exert much control over large and especially multi-national corporations. Among other things the IMF and the World Bank themselves need to be restructured (see, for example, N. Butler, *The IMF: Time for Reform*, Fabian Society, 1982).

The growth of corporations and multi-national companies as well as international agencies has also had its effect on augmenting pay at the top, introducing more grades of pay and lowering the pay of subordinate groups like temporary staff and wholly or partly dependent subsidiaries. On 3 June 1984 the *Sunday Times* listed the salaries, as far as they are

known, of the leading 100 public company directors. Seventy-six of them had increased by more than 20 per cent in the two years 1981-1983, eleven by more than 100 per cent. The average was 61 per cent. They varied from £82,000 to £522,000 a year. The most spectacular increase was from £11,000 in 1981 to £112,000 in 1983 by the Chairman of Cable and Wireless – which is one example of the rewards of privatisation.

“Many a highly paid director’s salary is of course dwarfed by the earnings of his super salesmen or vital executives. At Grand Met, for example, the chairman, Stanley Grinstead, earns £111,000 – but two of his top casino executives, Max Kingsley and Philip Isaacs, earn nearly £400,000 apiece.... But then, for many a chairman or highly paid director, his salary is simply the loose change in his pocket. Tiny Rowland earned over £4m in the final Lonrho dividend in his £56m stake in the Company, compared to a mere £265,000 salary in 1983.” (P. Beresford, “Boom at the Top”, *Sunday Times*, 3 June 1984)

Higher pay, lower taxes

The gains to the rich since 1979 have been in profitability to companies, as partly engineered and encouraged by the Government. Some salaries include bonuses for additional profits. But they have also come from deliberate redistribution. Of a total of £4.17 billion cuts in income taxes since 1979 the richest 1 per cent receive 44 per cent and the poorest 25 per cent only 3 per cent. The average reduction in income tax for those earning over £50,000 is £11,700, but for those earning under £5,000 is £20 (*Hansard*, 4 April 1984).

Fringe benefits have not figured prominently in negotiations about wages differentials in the debates about tax allowances and tax rates. During the 1960s and 1970s inequality was therefore made out by different interest groups to be diminishing when in fact it was increasing. Ministers, professions and unions shel-

tered, for different motives, behind make-believe. Professional economists, the Board of Inland Revenue, and the Royal Commission for the Distribution of Income and Wealth perpetuated the myth. Thus it was alleged, on the basis of the Board of Inland Revenue data recognised universally to be deficient, that there have been significant trends towards greater income equality in recent years (see in particular Reports 1, 4 and 7 of the Royal Commission on the Distribution of Income and Wealth). But when the information from the Family Expenditure Survey rather than from the discredited Survey of Personal Incomes (the Inland Revenue source) are examined, and then even the roughest attempts are made to adjust the Family Expenditure Survey information in accordance with trends in the maldistribution of fringe benefits from employers, this generalisation is punctured (compare the statistical distributions for the two sources in the above quoted Royal Commission Reports). Much the same is true for other countries. Information about income from administrative tax sources is less reliable than from good surveys and even the latter are incomplete. The augmentation of disposable incomes by employer welfare benefits in kind, together with the augmentation of such incomes by personal assets and their manipulation, casts doubt on the generalisations made about narrowing inequality in rich countries since the war. A recent survey carried out by Charterhouse Management Consultants, for example, found that a typical director of a medium sized company receiving a basic salary of £25,000 per annum usually costs the employer a further £12,500 in bonuses and fringe benefits (Quoted in R. Smail et al, *Unequal Fringes*, Low Pay Unit, Feb. 1984). One United States expert concluded "We simply do not know whether the omission of all forms of non-money income from the [state's income statistics] invalidates all empirical statements about trends in inequality since World War II" (M. Taussig, *Trends in Inequality of Well-*

Offness in the United States since World War II, Institute for Research on Policy, University of Wisconsin, Michigan, 1976).

Tax allowances have become more and more important and have made a mockery of the personal income tax system. Because of their existence (see the long list in Table 1.5 of the Report by the Inland Revenue for 1983) the tax base is narrow. Tax is now collected on less than half gross declared income and perhaps only a third of total real income. Chartered accountants working on behalf of the rich can, in this situation, save their clients huge sums of money. "For the rich," concluded one recent review, "Britain has become a fiscal paradise" (J. Bellini, "The Tax Avoidance Boom", *The Listener*, 5 April 1984.) Wealth taxes in Britain (Capital Gains, Estate Duty and Capital Transfer Taxes) have never been very consequential but have declined in value and percentage of total taxes since 1975. They accounted for 7½ per cent of total Inland Revenue taxes in the early 1970s but only for 2½ per cent by 1983/4, and had declined, expressed as a percentage of GNP, from 1.2 to 0.5 per cent. The tax structure has become far less progressive. The National Insurance surcharge was reduced in 1983 and then eliminated in 1984. Higher tax rates on higher incomes were reduced and the thresholds raised. In 1984 it was estimated that only 3 per cent of tax units are in fact paying tax above the standard rate of 30 per cent. At 650,000 their numbers are half what they were in the late 1970s.

The Government has just published a new analysis of income distribution (*Economic Trends*, July 1984). It shows a shrinkage since 1975-6 and especially since 1978-9 in the share of disposable income of the poorest 20 per cent and a substantial increase in the share of the top 20 per cent of taxable units. The figures are summarised in Table 4. They confirm the statistical trends reported from the Family Expenditure Survey and other sources. It is also possible to make estimates of the change at the different levels

TABLE 4

Shares of income after tax

	1975-76	1978-79	1981-82
Top 10 per cent	23.1	23.4	25.6
Top 20 per cent	39.0	39.7	42.0
21-40 per cent	24.8	24.8	24.0
41-60 per cent	17.3	17.0	16.1
61-80 per cent	11.6	11.5	11.5
Bottom 20 per cent	7.3	7.0	6.4

Average real income at 1981-2 prices

	1975-76	1978-79	1981-82	Gain or loss 1978-79 1981-82
Top 10 per cent	£10,638	£11,295	£12,851	+£1,557
Top 20 per cent	£8,980	£9,572	£10,542	+£970
Bottom 20 per cent	£1,681	£1,688	£1,606	-£82

Source: Central Statistical Office, *Economic Trends*, July 1984 (Average real income is estimated).

in real disposable income (see the bottom half of the table). Thus the authors point out that "between 1978 and 1981 real household disposable income per head rose by 4 per cent" (in 1980 prices) and they give mean and median incomes for the years in question. On the Government's own admission the richest 10 per cent had increased their disposable incomes in real terms by £1,557 a year between 1978-9 and 1981-2, whereas the poorest 20 per cent were £82 a year poorer.

Engineering more dependency

Just as the tax structure became less egalitarian in practice as well as in form, the dependent population increased – in largest measure "artificially" through un-

employment and premature retirement, and some postponement of the completion of education. Table 5 illustrates the disastrous recent trend in the employment of men and women at different ages. Between 1973 and 1983 the number of men aged 55 to 59 who are economically active fell from 94 per cent to 85 per cent and, at ages 60 to 64, from 85 to 63 per cent. There were corresponding reductions among divorced and other single women in these two age groups from 69 per cent to 53 per cent, and 34 per cent to 17 per cent. This increase in dependency at such youthful ages is nationally self-destructive. The need to finance this disproportionate increase in dependency has brought the tax threshold down and caused taxes to be

TABLE 5

Percent of Different Age-Groups who are Economically Active

		Per cent economically active		
		1973	1979	1983
Men	16-17	63	56	40
	18-24	91	91	90
	25-34	98	98	97
	35-44	99	98	97
	45-54	98	96	94
	55-59	94	88	85
	60-64	85	75	63
	65 and over	19	15	9
Married Women	18-24	50	52	52
	25-34	44	55	52
	35-44	64	70	69
	45-54	63	68	68
	55-59	48	55	52
	60-64	25	25	20
	65 and over	8	6	4
Non-Married women	16-17	57	53	41
	18-24	84	79	81
	25-34	82	76	69
	35-44	76	70	70
	45-54	74	72	67
	55-59	69	61	53
	60-64	34	23	17
	65 and over	6	5	4

Source: OPCS Monitor, *General Household Survey, Preliminary Results for 1983*, 10 July 1984.

increased on the goods purchased by the mass of the population.

"Squeezing" the poor

I have been able to characterise only part of what has been happening in Britain in the 1970s and early 1980s. One Government strategy has been to rationalise and reorganise social security. But the politic-

al game of changing the system without making much change in practice has been taken a stage further by the Thatcher Government, which is seeking to change the system both by drastically reducing public expenditure and ensuring that more of it is paid for by the poor. The unemployed have been greatly affected. Taxation has been introduced for unemployment benefit. Changes in regulations have stopped

some groups of unemployed getting any supplementary benefit at all and have stopped others from getting as much as their former entitlement. Earnings related supplement has been abolished, at an average loss (in 1982) of £11.20 per claimant per week. The activities of the Special Claims Control Teams to identify fraud have been stepped up. As a percentage both of earnings and of the benefits received by long term claimants, other than the unemployed, the unemployed person's weekly benefit has declined. Unemployment benefit is at its lowest level relative to earnings since the early 1960s. Housing benefit is now payable by local authorities. The transfer of its administration, like the reorganisation of supplementary benefit beforehand, has involved reductions in weekly income for hundreds of thousands of recipients, as conceded by Government Ministers. The various enquiries now instigated by the Secretary of State for Social Services, Norman Fowler, are preparing the way for further cuts (see P. Townsend & B. Abel-Smith eds, *Social Security: The Real Agenda* Fabian Tract 498 Sept. 1984, and Child Poverty Action Group, *Changed Priorities Ahead*, Aug. 1984).

The revival of class warfare

In accordance with the international changes taking place in class and not just political and market allegiances, the Government is following a policy which is "squeezing" as well as "augmenting" the poor. They appear to be quite clear about the former but unprepared even to understand let alone control the latter. Government ministers argue that Britain cannot "afford" to increase public expenditure. But this is to accept without question the existing balance of values as they affect world trading and economic relationships and the internal domestic values of market conditions. It is a stunning piece of self-deception. The Government is following a policy of "get tough with the poor". This is its major *raison d'être* and far more im-

portant in fact than its well-advertised neo-monetarism. It is a covert form of class warfare. The relatively hidden social objectives of economic policy are in fact much more open to dispute within the Tory party than the economic topics which are rehearsed so frequently in different public settings. There has been a continuing struggle going on within the Cabinet, and not only the Conservative Parliamentary Party, about the scale and even desirability of the Government's social policies. Ian Gilmour and Francis Pym, for example, have made their views known in recent books as well as in speeches.

But with all the necessary qualifications, the Government is aiming to lower prices first by: lowering already low levels of pay (we can cite decisions in public sector industries, on wages councils and the history of the Youth Training Scheme); second, by refusing to set principled limits on the extent or growth of unemployment; and third, as we have seen, by lowering benefits in order to make lower pay acceptable. It is a downward spiral whereby the Government fails to recognise the ultimate destination – the establishment of Third World wages and Third World social conditions in an otherwise rich country for more than a third of its people.

Why is the present policy so terrifying in its social implications? Partly it is because for the first time since the war a majority of the British Cabinet seem prepared to allow conditions of life for a large minority of the people to deteriorate in the mistaken belief that conditions for the rest of the population will thereby be improved. That is a departure from the consensus politics of post-war Britain (which did at least represent a lesser evil than the authoritarian ruling class politics which seem to be replacing them). But partly there is a worse implication still. For the first time Government Ministers seem prepared to depart even from the most tenuous principles of one nation and consider seriously that certain sections of the British popula-

tion are beyond redemption, have to be taught some rough lessons and are expendable. It would be difficult otherwise to explain certain authoritarian measures – in strengthening police powers, coordinating market and state, weakening the powers of local authorities and refusing to act upon the monopolistic powers of large companies. Nor would it be easy to explain the increasingly impatient handling of dissent including the threatening attitudes struck towards those protesting about nuclear arms and nuclear power. The Government increasingly seems to take

sides in the most difficult social conflicts going on in Britain rather than attempting to heal them, explicitly in trade union disputes, implicitly in race relations and civil liberties.

An anti-poverty strategy is therefore not some relatively small appendage of economic management affecting the casualty services of health, welfare, housing and social security. It must be interpreted as a comprehensive strategy to reorganise and rebuild institutions which have brought about deepening poverty and inequality.

5. Alternative Anti-Poverty Strategies

The Thatcher Government is busily multiplying the poor. But simultaneously it also has an anti-poverty strategy and that strategy is quite clear. The Government wants to cut benefits as well as wages and avoid the worst opprobrium for this policy by appearing, perhaps through negative income tax and certainly through other means-tests, to selectively improve the financial circumstances of the poorest people of all (*Economic Trends*, Nov. 1983). Socialists have a choice of pursuing one of two alternatives. One is to accept relatively high unemployment and more unequal wages under the present form of the mixed economy for the foreseeable future, and aim to recoup enough additional revenue from a reformed tax structure to finance a range of better benefits for unemployed and sick people, people with disabilities and the elderly. The other is to accept the need to take charge of the development of full employment policies and the broad allocation in the first place of income and wealth, in order to bring about a real reduction of inequality and a phased abolition of poverty. We will discuss these alternative strategies in turn.

The Thatcher Government, like preceding Governments, is being swept along by world-wide events partly outside its control if not influence. As argued earlier,

power is shifting overseas to multinationals and international agencies and with it go some of the patriotic self-interests of the old ruling class. That is also

creating more unemployment and, given low levels of benefit and the present disparaging attitude to the unemployed, more poverty too. But it is one thing to bow to the manoeuvres of international finance and capital and another to deliberately connive at extensions of such power and multiply the harmful social effects of such power at home. Mass poverty is not simply an indirect and unintended consequence of the Government's faith in international and national market forces. It is also a direct result of the expression of class-values – particularly that business values deserve to be paramount. Thus there is a weakening among Tory ranks of that kind of benevolent upper-class paternalism embodied in such personages as William Whitelaw and Alec Douglas-Home which did at least pay some regard to social stability and good social relations. In the war Churchill and Butler had entered a political coalition with Attlee and Morrison. Their political philosophy was necessarily integrative socially as well, and for decades following the war the "One Nation" group of Conservative politicians tended to predominate. That moderating influence on the nation's social policies has recently been in headlong retreat. It shows across the whole range of policies. The exasperation with trade unions and determination to bring local councils to heel illustrate not merely the *acceptance* of an already unequal society but the advocacy of a more unequal one. Mrs. Thatcher and her colleagues believe in giving the rich and especially business management more "incentives" and permitting fewer constraints on their behaviour, and instilling greater discipline into a smaller workforce through reducing low wages and institutionalising mass unemployment. Those outside the labour market cannot be guaranteed a share of any additional real income. On the contrary, their incomes in many cases, it is believed, deserve to be reduced. The doctrine of two nations is not adopted with regret or embarrassment. It is flaunted.

Cutting resources for the poor

A detailed history of the steps which have been taken down this road since 1979 will reveal that the tactics have often been maladroit, that opposition within Tory ranks as well as the senior levels of the Civil Service to the changes has been unexpectedly strong and that the high degree of self-deception among the leading proponents of more poverty is extraordinary. But the direction which has been taken is unmistakable. There is now a list of more than 20 measures taken since 1979 to reduce the cost of social security by some £7 billion (for a full account see P. Townsend, *Fewer Children, More Poverty*, University of Bristol, July 1984). When former Minister of Social Security Dr. Rhodes Boyson himself also admitted in Parliament in 1984 that there are as many as 16 social security benefits which have not even been maintained in value against inflation (*Hansard*, 14 and 20 June 1984).

The current series of enquiries into different social security benefits are designed to accelerate this trend. Doubt is deliberately being thrown on the rights of school-leavers to supplementary benefit until they are 19; the viability of the State Earnings Related Pension Scheme (which had been enacted with all-Party agreement in the mid 1970s), and the functions of Child Benefit as a tax allowance. Of course history may show that these are no more than contemporary instances of a determined attempt to deepen the class structure of society. The State Earnings Related Pension scheme may be scrapped on the pretence that more people can make provision for a personal pension; child-benefit may be means-tested and other benefits may be scrapped or eroded to "save" thousands of millions of pounds.

Unscrambling the welfare state

Even more extreme schemes are deliberately being given publicity by sources close to the Government. I will give two current examples. Professor Patrick Minford is a neo-monetarist who has been

pressing for larger and larger cuts in public expenditure and has the ear of the Government. At the time of the announcement of the social security reviews it is surely more than coincidental that he published a scheme to dismantle public education, the personal social services and the National Health Service, and especially to wind up most of the National Insurance systems at a total "saving" of £41.5b per annum. He envisages people buying education, health and welfare privately, no longer having rights by virtue of past contributions to a minimum income in adversity and old age through national insurance, and being covered against extreme poverty only by a version of negative income tax payments which would be operated on a stringent test of means. He calls the whole scheme one of "returning the Welfare State to the people". (P. Minford, *State Expenditure: A Study in Waste*, in Supplement to Economic Affairs, 1984).

The second example is a scheme to reform social security by a group at the Institute for Fiscal Studies. They propose withdrawing all social security benefits and tax allowances (other than the personal tax allowance) and replacing them by benefit "credits" and tax "credits". Effectively this would mean that people would no longer have rights either to benefits or tax allowances (other than the personal tax allowance). They would be progressively withdrawn with rising income. The present gradual shift from universal to means-tested benefits would become an avalanche. Child benefit would be withdrawn from 63 per cent of families currently drawing benefit. As much as £2½b a year would be cut from pensions. The total "saving" would be £10b a year. (A.W. Dilnot, J.A. Kay and C.N. Morris, *The Reform of Social Security*, Institute for Fiscal Studies, 1984).

Such extreme proposals play into the Government's hands because a lesser, and more gradual, process of attrition of benefits and public services can be made to look respectable. Such proposals also pre-

pare the way for a form of ruling class management of social policy which would have been unthinkable during the decades of consensus politics known as "Butskellism". The worrying thing is that as well as being diversionary some schemes can also appear to divide the Left, if only temporarily. (Compare for example the informed and measured demolition of IFS pretensions by Tony Atkinson, "Rebuilding Social Security", *New Society*, 26 July 1984, with the relatively favourable review by Peter Kellner in the *New Statesman*, 13 July 1984).

The history of negative income tax

Current illustrations of plans to simplify social security must be placed in their historical and political context. Many of them are versions of negative income tax. While in principle such tax can take as many forms as positive income tax (and can therefore be praised, as well as condemned, according to form) the fact is that most negative income tax schemes have been put forward from the Right. Milton Friedman was the first to popularise the proposal in the United States, and Senator Goldwater, one of the most Right-Wing Republican candidates ever to have sought election to the Presidency, was the first major politician to espouse such a proposal. The reasons are not hard to find. Like the scheme proposed lately by Patrick Minford, Government costs and income tax can both be cut drastically. The values of the market and competitive individualism can be better served. Anger and frustration with the present administration at complex layers of benefits can also be mobilised on behalf of the romantic appeal of a radically simplified (if vague) new scheme.

The history of the local income maintenance experiments in the United States and of the Conservative Government's tax credit proposals in 1972 hold valuable lessons. Both led to a retreat from negative income tax. For example, monetary in-

centives were found not to exercise as much influence over people's behaviour as in theory they were supposed to exercise. The marginal tax rate did not seem to matter as much as social and occupational factors. A major reason for maintaining inequality among wage-earners, as well as between wage-earners and those outside the labour force, be it noted, was thereby removed.

Negative income tax and tax credit schemes have also been found to be extraordinarily difficult to put into administrative effect. The more that they are studied in detail the more difficult it is to ensure that they cover all groups of poor people, and cover them without implementing forms of "rough justice" that most people would find unacceptable. But these defects, after all, apply to all means-tested schemes throughout history. In recent years in Britain the roughest of rough justice has been applied, quite inexcusably, in the Family Income Supplement, Supplementary Benefit and Housing Benefit schemes, and all three fail by a huge margin to reach all those who are eligible to receive them. Means-tested benefits have been inefficient, parsimonious and divisive.

On what evidence can it be argued that the IFS "benefit credits" (another name for means-tested benefits) will be administered differently? The IFS suggests, for example, that benefit credits can be introduced for retirement pensioners. This presumably means that several million pensioners who do not at present fill in income tax forms would have to do so. And this raises awkward questions about what counts for benefit credit and not just income tax purposes and whether old people could be expected to fill everything in without the help of a visiting officer. Quite how that would differ from visits today by a supplementary benefit officer to establish entitlement to draw supplementary benefit and whether hundreds of thousands of people would elect, as today, not to apply or to be visited is difficult to say without knowing a lot more about

proposed administration. Moreover, the IFS admit that benefit credits could not be introduced immediately for all pensioners. Entitlements have been, and are being, built up under the existing national insurance scheme. Obviously they could not be withdrawn from existing pensioners or even those in young and middle life who have been paying towards them for many years. The attractiveness of the proposal then begins to disappear because if it is going to take a generation to introduce it is hard to see how there could be much immediate impact in either savings to public expenditure or additional income to pensioners not currently drawing, though entitled to, supplementary benefit. That leads the argument back to gradual improvements in pensioners' living standards being effected by the State Earnings Related Pension Scheme. Socialists must be wary of jettisoning such a measure without far better reason.

The means-test road, even when recycled in modern form as negative income tax, or tax and benefit "credit" is not one, therefore, which we should take. The dismal continuities of poor law, public assistance, national assistance and supplementary benefit are too evident to the historian of these measures to be very appealing. The objective has been to manage the poor as cheaply as possible in the interests of containing the costs of market enterprise and maximising profits. By contrast, judgments of what is fair remuneration for owners, managers, employees and non-employed are not volunteered. The question of what income is adequate to meet human needs in society or what income is potentially available to democratically maximise the potentialities for fulfilment of every member of society is not even properly discussed in the schemes which have been put forward.

The first alternative strategy

As I have said, there are two broad alternatives. One is to modernise the strategy developed by the Labour move-

ment before, during and immediately after the war, aided and abetted by Keynesian economic management and Beveridge's work to consolidate and make more coherent the notion and forms of social insurance. This is the strategy to which Labour Party activists and social policy analysts have repeatedly returned. For its success the strategy depends on obtaining support for new types of benefit and raising existing rates of benefit, as well as showing that a more costly pattern of benefits as of right can be financed by higher taxation. There is no doubt that a very powerful case can be made out for this strategy and it may be that, politically, it is the only one that can be realistically followed (See, for example, R. Lister *Social Security: the Case for Reform*, Child Poverty Action Group, 1975; The Black Report, *Inequalities in Health*, DHSS, 1980). The argument is that there should be measures to reflate the economy and therefore to relieve the pressure on public expenditure by stabilising and then reducing the rate of unemployment. The revival of Keynesian management of the economy would then take the form of enlarging the scope of training and rehabilitation programmes, and raising social security benefits to quicken demand. Income taxes would be raised and made more progressive. Part or all of some tax allowances, like the married man's tax allowance and mortgage income tax relief, would be expunged or converted into cash benefit. Some have explicitly and many implicitly argued that by following such a strategy a further £10b or £15b might be added to social security expenditure, and personal income distributed much more equally in Britain as a consequence. Certainly, as argued in an earlier section, there is immense scope for a substantial increase in existing forms of wealth taxation as well as for the introduction of an accessions tax and a wealth tax, for a broadening of the tax base through the restriction of many forms of tax allowance and for much more progressivity in general within the tax system.

But experience teaches that this strategy may by now have become fatally handicapped. First, trends in what might be called the political psychology of taxation have not been particularly favourable. Since the 1950s, with the appeal of Macmillan's "You've Never Had It So Good", the individualism of British culture and politics has been assiduously cultivated. Altruism and collectivism have waned. Even while calling for some forms of increase in public expenditure the taxpayer has complained ever loudly about higher rates of taxation. With the falling tax threshold those complaints have spread to low income groups as well, and the constant sniping of the press has not served high standards of public information. Data collected by the Central Statistical Office shows that middle and high income groups do in fact draw more in welfare state redistribution than do low income groups, and the difference between high and low income groups has widened since the 1950s. Thus the top 20% received £1,490 on average and the bottom 20% £1,140 on average in 1982 (*Economic Trends*, Nov. 1983). This does not appear to have muted pressure to reduce the level of taxes. On the contrary it seems to have fuelled attempts on the part of the better-off to find methods of reducing that share of taxes which reach the poor.

A threat to tax the rich to improve the position of the poor is likely to be fought with every weapon in the book. For the problem is that people too often gain their sense of worth from the property they inherit or accumulate and the gross salaries or wages which they are nominally entitled to receive. Once people have received they are loth to give too much away, or to be seen to be denied a large share of what they regard as their natural entitlement. Whatever the real outcome many more people feel resentful about others receiving incomes financed by the taxes that they pay. There is a kind of political divide between the tax-payer and the social security recipient. The economically ac-

tive section of the working class is divided from the non-working poor. With the abandonment of full employment as a policy and with the diminished role played by contributory national insurance, social security is less often seen as a protection from adversity during working life and therefore as a scheme of direct interest to the earning contributor. With some exceptions trade unions do not devote a great deal of their time and resources to defending and raising the level of social security benefits. So in general the prospects of raising the necessary additional revenue without reconstructing the institutions of the wage-system and redistribution are not very bright.

Another problem with this strategy is a lack of commitment to an adequate level of benefit. Many who are very critical of existing levels of benefit are not particularly forthcoming about the objectives of the strategy they advocate and the full extent of human needs which deserve to be met. Again, the implication for Britain of examples of very high levels of benefit in other countries are not always given close attention. Thus pensions in Germany and unemployment benefits in Denmark are in a different class from those in Britain. In general the dependants of the state in Britain receive derisory incomes. The capacity of Britain's conventional institutions of redistribution, namely Britain's present pattern of taxation, tax allowances, and means-tested and non means-tested benefits, to provide for more than a modest increase in the real level of benefit is doubtful.

The two problems of grudging attitudes towards personal income taxation and towards higher benefits is compounded by the rapidly rising number of dependants. The huge rise in unemployment since the late 1970s is bad enough, but this is compounded by a rapid increase in the numbers prematurely retired, as documented earlier, and the lack of resources available to women, who increasingly find themselves bringing up children alone. The institutions of redistribution are therefore

expected to absorb much higher numbers as well as higher levels of benefit.

The history of the political debate about poverty in the last 20 years illustrates the frustrations induced by these three factors, and explains why radical new solutions to the tax-benefit impasse have been sought. But if there is a problem it is a problem not because a solution cannot be found but because the terms of reference have been too restrictively defined. It is discussed as if the solution is to be found in integrating taxes and benefits. But why are the wage system and the institutions of the allocation of wealth excluded from the terms of the discussion? Why is the spotlight not turned on to the rich? In part, the problem stems from the subservience of economic and political theory as well as of successive governments to the market sector. Even Keynes wrote in terms of "intervention" rather than "construction" by the state.

The 'tax-benefit' strategy is a strategy to treat casualties rather than one to prevent them arising. I mean that an attempt is made to remedy the worst excesses of inequality under capitalism rather than submit capital (and the rich) to reasoned ground-rules in the first place. It is surely absurd to leave to providence and the market the initiative in deciding inequality of inheritance and reward, while democratic socialists try to allay its worst ill-effects in pursuit of an ever-elusive social equality. Why allow the problem to arise and gather power and psychological momentum? The central problem of Labour's approach to social policy since the war has been of accommodating social aspirations to market principles and thereby lamely accepting a casualty approach to welfare.

A preferred alternative strategy

An alternative strategy therefore has to be more comprehensive if it is to have any chance of being successful. The creation of a mass dependent under-class is by no means inevitable. It must be fought intel-

lectually, socially and morally: society *can* have more say in deciding what forms of employment deserve to be developed, who should have the right to access to paid employment and how the wage system within employment might be reorganised according to certain guiding principles. Society can also have more say in broadening rights to the inheritance and accumulation of wealth and dramatically increasing taxes from wealth. Such arguments about employment, the wage system and wealth tend in the years since the war to have been ignored in arguments about poverty, and yet our analysis of the growing extent of poverty must bring us back to them.

Beveridge recognised the importance of full employment in the war and that became an accepted objective of policy in the following two decades. But the concept of "full employment" as traditionally adopted as the goal of economic policy might properly be replaced by one described as "employment for all". People who want paid work, including women, older people and disabled people, must be guaranteed rights to employment. Moreover, society must play a much more positive role in defining the type and conditions of employment. We must debate what kind of production and what kind of society we want to build. A Labour Government will need to promote new forms of industry on a large scale, but it will also need to foster the expansion of employment in the public services, particularly social services like home nursing, home help and day care centres. The mixture of youth opportunity and job creation programmes which have been developed since the mid 1970s have only been temporary, peripheral and largely self-defeating gestures rather than something which could properly be called a programme of permanent employment for all. The recent commitment in policy by the TUC and Labour Party to a more comprehensive youth training programme is one illustration of the more ambitious strategy required. In place of a strategy designed to give least

offence to the private market, a strategy has to be evolved to define the kind of employment which deserves to exist in a socialist society. This necessarily would involve trade unions, social security claimants and many other sections of the population in creating socially useful, productive and satisfying work.

In reconstituting employment the definition of objectives has priority. Greater equality of employment deserves to be established. Merely to reduce registered unemployment to tiny dimensions would be an insufficient expression of that policy. A substantial section of the population who would like to work are not in the labour market at all. They do not register for work because they know their chances of getting a job are minimal or non-existent. Women of all ages, middle aged and elderly men, and many disabled people are included. In the past they have been treated as a labour "reserve" to be drawn upon when demand is high and turned back when the economy moves into a downturn. It is wasteful and short-sighted to disregard the productive and socially useful roles they could play.

In the early stages the Government would play a major part, through industrial investment and the reorganisation of public services, in creating millions of new jobs, establishing "industrial democracy" and experimenting with different forms of work organisation. At a second stage, having explored viable new forms of social management and work relationships of production, the social ownership and direction of the economy can be confirmed.

The reconstitution of employment holds the key to the equalisation of income. If assumptions can be made about greater equality of status at work as well as outside work then public support can be found for a more equal system of income. There would be two kinds in action. The differences between the income of those inside and outside employment would be reduced, as would the differences between those at the top and the bottom of

the pay structures of employment. The unpaid social responsibilities of women could be properly recognised for the first time. People outside the traditional labour market would be recognised as playing a very constructive part in society, and, accordingly, would enjoy higher living standards. Within the traditional labour market, retrenchment of top and upper middle salaries would help to provide better pay, and respect for, the jobs performed by many manual workers. I do not think proposals for a minimum wage are likely to be successful unless there is considerable control over the whole structure of earnings. It would be possible for a government to specify a maximum permissible earnings level of, say, four times the average wage. The trade unions could play an important part in devising the principles of a national incomes system while leaving themselves considerable scope for local and plant bargaining over pay within specified ranges. The approach suggested here will of course depend also on corresponding action internationally to improve some of the lowest wages in the Third World and elsewhere, by means of collaboration between trade unions and between governments and to control the movement of jobs, capital, and professional and other workers.

Action to reduce the dispersion of wealth must also involve allocation and accumulation and not just taxation. In the short run a ceiling could be placed on the wealth that can be owned by an individual as well as the gross value of assets that may be inherited. Decisions would have to be made about the transmission of ownership and the social use of different forms of property. An opportunity would be given to local communities, where appropriate, to contribute to such decisions, and objections (on the part of property-holders) to be heard. Agricultural land, housing, paintings and sculpture, antiques, stocks and shares would come into different kinds of social ownership. A ceiling might be placed on personal overseas holdings too, and this restriction related to rights as

citizens. Corporate holdings with specific personal use or value would have to be redefined and legally counted in total personal wealth. Plans would have to be made not only for the smooth transfer of major assets, but efficient social management. A blanket form of old-style nationalisation would be undesirable. Groups in each region working through the lists of the major holdings of each property, being properly accountable for their recommendations, and creating public holding corporations, cooperatives and specialised housing associations to receive different types and amounts of resources might be envisaged. All this would be bound to take a period of years and would have to be brought into effect by stages, possibly beginning with the largest holdings of personal wealth and property.

In the meantime, a Labour Government should introduce an annual wealth tax. Such taxes already operate in many other advanced industrial countries. It should be accompanied by a progressive accessions tax. This would differ from the current Capital Transfer Tax because it would be paid by the recipient of the wealth rather than the donor. Tax would be levied at a progressive rate according to the amount of wealth received by that individual in gifts or bequests, during their lifetime. The accessions tax should be combined with the annual wealth tax to encourage property holders to pass on their wealth more quickly, as proposed by the Meade Committee on tax reform (J E Meade, *The Structure and Reform of Direct Taxation*, IFS, 1978), a body which could hardly be attributed with revolutionary intentions. On receiving a gift or inheritance, a progressive accessions tax would be levied. At the same time, an additional tax would be payable on the annual value of the wealth over the period that the recipient was expected to hold the wealth, perhaps his or her life expectancy. An annual wealth tax would thereby be paid in advance, a rebate being made if the wealth changed hands sooner than expected.

A society built on principles of equality and collaboration would be one in which incomes and wealth would be more widely shared. A basic untaxed income could be paid to, or on behalf of, every member of the population, and this social income might represent the bulk of personal income available for distribution, leaving to remuneration in employment a kind of "topping up" role.

This is not the place to go into all the possibilities in detail. The nature of the exercise is such that a beautiful blueprint, complete in every detail, cannot be offered. When a society chooses to reconstitute itself on the basis of new social values there is bound to be experimentation, endless discussion and unapologetic revision of initial false steps. The goal is equality with participation. This means structural change and not piecemeal reform. Thus a first step must be to establish *social planning*. As critics of present modes of planning – like public expenditure planning and corporate planning – have increasingly recognised, good social planning must ultimately involve different forms of participation on the part of workers, residents, tenants, clients, rate-payers and consumers. Social objectives have to be defined in some detail and the administrative apparatus to control and monitor social planning needs to be set up so that the management of the economy can be properly informed. This is the single most important act for a government which seeks to lay claims to socialism. Any study of the evolution of taxation policy, the social services and, above all, the relationship between the distribution of income and wealth, and incomes and wealth policies under successive Labour administrations shows the want of planning. While it is true that we cannot entirely control the internal conditions of our own society, we cannot let the definition of what those internal conditions are and how they might be overcome go by default. In saying this we do not want power to plan to grow only at

the centre. There must be a dialectic. Development has to be coordinated according to socialist aspirations and principles but it must also be allowed to prosper locally. Power to organise services and plan employment and recreation must be devolved to local communities. A big effort to communicate information about Government policies, foster discussion regionally and locally and represent public opinion on particular issues, has to be made.

Equally important is the democratisation of the Labour Party itself. There needs to be a more open and positive approach to policy making within the Party and the Labour Movement as a whole. There needs to be much more discussion of longer term strategy. The Party conference needs to be more than one which discusses fragmentary resolutions, and one which revises, or reaffirms, a comprehensive programme. In office Labour Ministers require full-time support in depth from committed members of the Labour Party. They must also be expected to explain their actions and difficulties at regular intervals to the Party and to make regular reports available for public as well as political comment. The abolition of poverty, no less than the achievement of socialism, depends on the continuing education of, and accountability to, the people.

In this outline the need for joint action internationally by trades unions, democratic socialist parties, professions, pressure groups and governments has only been touched upon. There is indirect action to reduce the power gap between races, peoples and nations and to promote greater social equality. And there is direct action, through pricing policies, subsidies, aid, public ownership, laws to control the operation of multi-nationals and generously financed publicity and information services. Poverty neither in Britain nor in the Third World can be resolved in isolation.

6. Summary and Conclusion

The extent of poverty in Britain has been increasing and is now of mass proportions. Nearly three million people are living below the poverty line, on Government estimates, and another 12 millions are on the margins. These estimates are almost certain to be on the low side if a more scientific definition of the kind discussed earlier were to be used.

Social conditions in Britain are becoming polarised partly because of the internationalisation of manufacturing industry, finance, trade and defence. The analysis of poverty has to be placed in an international context. The growth of multi-national companies and the changes in international finance are leading not just to greater investment but to the relocation of industrial employment overseas and therefore to the accentuation of mass unemployment at home. It is also leading to the depression of the lowest wages ultimately perhaps to levels found in the Third World. Class allegiances and attitudes to the welfare state on the part of the rich are hardening too. Partly as a consequence, areas of high unemployment in Britain are beginning to resemble in their squalor and social deprivation some of the worst features to be found in urban centres of the poor countries. Certainly the overlap in purchasing power between the poorest groups in rich countries and the better off groups in poor countries is becoming noticeable. The problem for most countries of the world is how social polarisation in the late twentieth century, with mass poverty and the social conflict and violence which mass poverty generates, may be avoided.

The causes of mass poverty are structural not personal. The debates in Britain have been preoccupied with taxation and benefits rather than with the development of full employment and control of the systems of allocation of income and wealth. For socialists to have assumed

that economic growth could substantially modify social inequality and abolish poverty was a mistake – whether in Britain or in the Third World. For socialists to have allowed the management of the economy to take precedence over the reconstruction of society was an even bigger mistake. For that has been to permit arrogant forms of greed and contempt to be perpetuated. Mrs Thatcher's *social* beliefs and values provide the key to understanding her Government's policies. Social policy has to be brought from the periphery to the centre of political attention.

The Thatcher Government is determined to increase poverty. It believes large numbers of people are living unnecessarily on Government funds and that the need for lower wages in the economy will only be accepted if the benefits of the welfare state are drastically reduced. It does not accept that a generous level of income is required for full membership of society and the fulfilment of the obligations of work, family and community.

Socialists have two alternatives. One is to develop more energetically the familiar policies of the last 20 years to intervene in the economy and pay higher benefits to raise demand and restore jobs, and to finance higher benefits by raising taxes and making taxation more progressive.

The other is to accept that social policies which are intrinsically subservient to the operation of the market have done little in practice to resolve poverty

or reduce inequality and that a preventive strategy is the only one which will work. This is to take control of the creation and management of employment, and therefore of the wage system and the distribution of wealth. That will also involve collaborative action between democratic socialist governments, professions, pressure groups and trades unions in different countries, just as it will involve collaborative action between different institutions

of the Labour Movement at home. The abolition of poverty, as much as the reduction of inequality and other objectives of socialism, depends on the substitution of socialist institutions for those of capitalism and state bureaucracy. The conditions of the poor can be improved in the long run only by greatly restricting the power as well as the wealth of the rich.

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