



Beyond Crisis: A Progressive Future for the UK Economy

16th November 2009 at T.U.C., Congress House, London.

Notes by Revd Robert Hill. Social Responsibility Adviser. The Diocese of Peterborough.

Speakers:

Archbishop Rowan Williams
Paul Greg (Bristol Uni)
Rt Hon Pat McFadden.
Brendan Barber. Gen Sec. TUC.

Main Panellists:

John Kay & Gillian Tett (Financial Times)
Dave Pentis (UNISON)
Lord Richard Layard (LSE)
Glenis Willmott MEP (Labour)

The Deputy General Secretary of the TUC open the conference noting that Unions existed to promote equality and fairness, and that the Market should be the servant, not the master, of society. She hoped that the conference would help our country move towards a fairer and stronger economy.

Key-note Address

Archbishop Rowan: 'Human well-being and economic decision-making.'

The Archbishop pointing out that the word 'economy' has its roots in the Greek for 'Housekeeping', but noted that our Economy has become separate from the issue of our normal 'habitat'. Our present Economic structures seem to dismantle rather than build up "the walls of the house". What would our Economy be like if we designed it to give a 'home', and exchanged ideas of 'growth' for ideas of 'heritage'. Mechanical growth brings anxiety and rivalry as it exhausts the two resources of Earth and Human capital to the detriment of the world.

Taxation is a major tool for long-term national economic housekeeping, but the present bias is wrong. There needs to be a shift towards what humans need rather than what industry wants. Three ideas were developed for "three dimensional" humanity:

- We need to grow our sense of dependence within the human family rather than a dependence and identity through 'work' which undermines the family. The welfare of the family and young people should be the basis of our economy.
- Allowing imaginative self-questioning is important. It is the extra thing that makes us human. This should be allowed for within a realistic economy.

- Understanding and sympathy for others will help us grow as a society. We have developed a selfishness in society where most can be articulate about their own feelings but very inarticulate about the feelings of others.

Society has now looked into the abyss of Individualism and it has not liked it. Hope does lie rooted in religious commitment, and in family values – not ‘family’ as based on patriarchal stereotypes or traditions, but based on uncritical and unconditional love. This is what is needed to resist the loss of three-dimensional humanity.

Stability needs to challenge unbridled Growth. This is a moral issue. We need to have courage to put our needs into perspective. “Revive, Reflect, Resist.”

After the Address, the Archbishop was asked to comment on ‘low pay’ and the threat to a proposed minimum wage increase due to the recession. ++Rowan said that anything that undermined basic rights was a false and negative economy. Another questioner challenged the Archbishop to comment on employment rights for clergy which the questioner saw as being out of date. The Archbishop noted that clergy were not ‘employed’ by the C of E in the conventional sense. Regarding the issue of tax, in answer to a question, ++Rowan said that taxation needs to be seen as a positive element in society (corporate insurance, building a sustainable society) and indeed should be considered as the essence of the democratic society in action – giving the tools needed to do what we want. This is the sort of things where people of religion can give a clear vision which is open to all.

Panel Discussion.

What challenges and opportunities lie ahead for the UK economy?

John Kay – Financial Times columnist.

Gillian Tett – Financial Times.

Ann Pettifor – Advocacy International.

Dave Prentis – UNISON.

John Kay said that major reconstruction of the economic system was required.

Ann Pettifor noted that our current debt was far lower (in terms of percentage of GDP) than the 1930’s crisis, and that the way out was for Government to spend money rather than make cut-backs, as the ‘multiplier effect’ would restart the flow of finances. Now was the time to create jobs – especially climate related.

Gillian Tett said that we should not rely on ‘Canary Wharf’ to run the economy. She described building an economy around the Financial Services Sector as “nuts!”, and likened the recent situation to candy floss that has volume but no substance.

Dave Prentis reminded attendees that ordinary people had been badly hurt by a recession that was caused by the super-rich in a de-regulated atmosphere. He highlighted that the debate has shifted from ‘How to stop it’ to ‘Who will pay’ and noted that it would be the poor and middle-income earners that will suffer that payment. He called for control of the banks by the nation rather than banks being self-controlling and noted that the nation should treat the banks as they would treat us if we had a loan from them. The government of 1948 spent its way out of that recession (building up the NHS, housing stocks etc) and we need the same courage and vision to do the same now. This would also include grasping the opportunity to reduce

inequality in pay, sighting a case where a cleaner would have to work 215 years to get the same amount as the CEO, whose office she cleans, gets in one year.

During a time for questions, the following comments were noted.

Small is beautiful: There is a need for smaller companies giving greater diversity of financial services rather than relying on major financial organisations.

There was no financial crisis between 1948 and 1971 because financial services were under control.

A call was made for better support for the Third Sector as people move to public and private sectors for job security. However, it was felt that if taxation was brought in to achieve this, 'fleet-of-foot' companies would go off-shore.

There was general agreement that stronger regulations for the financial sector were required.

Six workshops.

Investment banking for a new era: How to solve the jobs crisis: A progressive solution to the public finances crisis: Can Britain survive in a reshaped world economy?: Can the UK become a low-carbon world leader?: Where will growth come from?

Notes from Workshop 2: How to solve the jobs crisis.

Workshop led by Prof. Paul Gregg, Bristol University.

Overall employment has not fallen as far as it has done in previous two recessions; just over 2% as opposed to around 6%, and there has been no significant drift from the labour market. However, employment has fallen sharpest in certain groups (eg. BME, low-skilled workers, young people) whilst there has been an increase in older people working. Youth employment rates have been drifting down for a number of years – it is not solely an issue of this recession. The current job crisis is caused by a shortage of demand for goods, not a structural problem in the labour market – but the safety net of that structure is slipping.

There is a huge need for employment at this time. An aging population will demand more workers to provide services and pay taxes to support them, and the switch to a low-carbon economy will produce 'Green' jobs.

Long term unemployment scars individuals and it also affects the nation. Around half of all days per year lost to unemployment are focussed on 6% of men, many of whom experience recurring unemployment. Low wages tend to lead to low levels of health and a lower life expectancy. It is suggested that half of this situation is causal (location etc) and half is economic.

The suggestion that the government create a Secondary Labour Market (temporary jobs with low wages and limited tenure) was not seen as positive as it does not lead to any growth in skill nor does it allow for progression within the industry. Therefore a strategy should include:

- Maintaining fiscal stability.
- Reducing the costs for employers to employ people.
- Wage restraint.
- Prevention of the build-up of areas of concentrated joblessness.

- Prevent people drifting to less active benefits (ie. Disability allowances Etc)
- Keep people engaged in the search for jobs.
- Raising educational participation.

A particular strategy needs to be set in place for young people (18-24 yrs) including:

- Guarantee of work stability.
- Offering education to level 2.
- Reaching out to bring in those who are not working and not claiming benefits – currently ‘invisible’ to the system.
- Reduce the cost to the employer of employing young people.

Panel Discussion

How should we rethink economic policy in the UK?

Lord Richard Layard, LSE,

Glenis Willmott, Labour MEP,

Andrew Simms, New Economics Foundation.

Lord Layard outlined three issues that need attention for economic growth, and noted that ‘relative economic growth’ for some implies that others must suffer economic decline.

- 1- Equality – not just of income, but of regard and respect. Education is an issue of equality, and ours is mostly unequal. We have one of the highest rates for people with degrees, but also the lowest rates of people with qualifications. The recent Bill regarding apprenticeships could help but it is now a huge challenge for industry to deliver it and for young people to engage with it.
- 2- Employment – Unemployment is one of the largest causes of unhappiness. He called for a time limit to be set for people to be unemployed.
- 3- Mental Health to be taken seriously – The problems of depression and anxiety are holding us back. Half of the 2 ½ million people on Incapacity Benefit are suffering from depression; 16% of which are diagnosed as having deep depression, but only 4% get any real treatment for it. We need to support those who do not have “the stuff inside them” to get and keep jobs.

Andrew Simms noted the need for the Financial Press to deal with reality. In the push towards rapid and deep de-carbonisation he reminded the attendees that there was only 85 months before the ‘tipping point’ occurs when a 2 degree climate shift would become inevitable. The ‘Triple Crunch’ of Economy, Energy and Climate means that we have to revalue what we have. We see that those societies where there is more equality are fairing better than we are, and a decrease in GDP will actually bring and increase in Social Life. There needs to be a re-balancing of Environment and Pricing costs. What he felt was needed quickly is a major re-skilling of the population, higher taxes on ‘bads’ (that which causes harm) and tax relief on ‘goods’ (that which helps towards a sustainable future). He noted that the government has put far more money into propping up bankers than into climate/carbon issues.

Glenis Willmott Spoke of her support of Gordon Brown, and said that we have an opportunity to restructure the financial sector and increase regulation of it. She noted that Socialism is good, but the story of it is not seen as good at home. The Berlin Wall did not fall down, it was pulled down: That was an act of human endeavour. The

current crisis can only be solved by working with Europe, picking up the dynamisms of Unionism.

Q&A time:

Q - To Lord Layard: Should we go in with the Euro or stay with the Pound?

A – Our ability to deflate the pound has helped us in relationship to Europe. A mix of currencies can lead to stability. ‘Classic Economy’ (theory) thinking ignores, or even cannibalises, ‘Core Economics’ (ie that which makes life work)

Q – To Glenis Willmott: Should we rethink the economy of the European Union?

A – The Market must be in balance with social needs. Social policy should not get lost in the Market – eg. The issue of migrant workers.

KeynoteAddress

Pat McFadden, Minister of State, BIS: ‘Reshaping the UK economy.’

Pat McFadden likened the current changes to a second industrial revolution based on consumer changes and the shift from high to low carbon policy living. There is an opportunity to do things better. The Government’s role in this ‘shift’ lies in working with ‘Driver’ markets, putting up funding for developing low carbon projects (including Nuclear power).

A ‘decent proportion’ of development and production of alternatives is in the UK. Do we have the skills that can equip people in the global job market? Other countries are developing their education and skills base; growing industrial and individual capacity.

The recent ‘crunch’ has shown the weakness of the Capital based system, with government having to leaver in investment. The ‘Spirit of Change’ needs also to consider social implications and employment opportunities. There is a need for a forum for a just transition to low carbon living and a need to work across departments of government – which is what they intend to do.

RH had to leave at this point.

Documents from the conference are held in the SR file C13.

See also the conference website at: www.tuc.org.uk/beyondcrisis