Ending Mass Impoverishment
Summary

• The pie is growing, but most people are now getting smaller slices:
  • in the last 35 years (the Age of Market Capitalism) the rate of economic growth has slowed
  • and that lower growth has largely gone to the already wealthy: over the last 10 years, most people’s wages have declined – this is mass impoverishment

• On current trends, mass impoverishment will mean that by 2050 the UK's median wage will have fallen almost half way to today's poverty income!

• But there are policy options available: current government debt is at a historically low level; there is room for higher taxes; and it is not impossible to create new money (as was done during the banking crisis)

• To end mass impoverishment we need constitutional reform and fact-based policy aimed at growing the pie faster and sharing it more fairly.
In the last 35 years (the Age of Market Capitalism) the rate of GDP growth has slowed.

The post-war period, in both the US and the UK, was a minor economic disaster, culminating in the ‘dreadful’ 1970s. The two countries were fortunately rescued by the Thatcher and Reagan reforms, which ushered-in the Age of Market Capitalism and led to renewed growth and prosperity.

The Golden Age of Capitalism (1945-1980) was well-named: it had higher economic growth in total and per person. The typical person enjoyed a fair share of that growth. And they had a better chance of finding a job.

Note: ONS does not have a data series for median income back to 1945
Source: BEA, ONS, Federal Reserve Bank of St Louis, Census Bureau, Bureau of Labour Statistics
That lower growth has largely gone to the already wealthy: over the last 10 years, in the UK, most people’s wages have actually declined.

Over the past six years, nurses’ salaries have fallen by 14% in real terms (after taking inflation into account).

"At the end of last month, I had £1.10 left in my bank account, and for many nurses it’s worse than that. A friend of mine had to choose between eating and paying her mortgage. After a year of eating beans on toast she conceded defeat, sold her flat and moved back with her parents.

When [the UK Health Secretary] was confronted by Andrew Marr [BBC interviewer] ... with the reality that nurses were using food banks, he said that the reasons for this were ‘complex’. They aren’t complex. We aren’t being paid enough.“

(Tiplady, 2017)

Note: CAGR = Compound Annual Growth Rate
Source: ONS
Continuation of current trends would mean that by 2050 the UK's median wage would have fallen almost half way to today's poverty income!

Possible 2050 median wage on different trends  
2050 wage on today's trends

<table>
<thead>
<tr>
<th>Trend</th>
<th>Median Wage 2050 (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-2010 trends</td>
<td>34,286</td>
</tr>
<tr>
<td>Post-2010 growth and fixed inequality</td>
<td>29,902</td>
</tr>
<tr>
<td>Post-2010 growth and inequality</td>
<td>19,730</td>
</tr>
<tr>
<td>Today's median wage</td>
<td>23,920</td>
</tr>
</tbody>
</table>

Note: Today's trends = GDP per capita growth at 0.7% and real median wage falling at -0.6% per annum
Source: ONS

The Myth
Whatever we do, we must not risk undoing all the hard work of austerity.

The Facts
Most economists believe that the austerity programme was a serious mistake. Unless we admit the mistake and take urgent steps to build a society which both grows the pie much faster and shares it fairly, we are heading towards a grim future.
There are policy options available: current government debt is at a historically *low* level; there *are* taxation options available; and it is *not* impossible to create new money

<table>
<thead>
<tr>
<th>The Myth</th>
<th>The Facts</th>
<th>The Policy Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>“UK Government debt:GDP is at unprecedented and dangerous levels”</td>
<td>UK Government debt:GDP is currently below the average of the last 300 years</td>
<td>There is no barrier to borrowing more for the health of the economy (or the NHS, etc)</td>
</tr>
<tr>
<td>“Taxation is too high; the only way to get growth back is to cut it further”</td>
<td>Taxation is low by historical standards, and growth was higher during the Golden Age (with higher taxes) than it has been during the Age of Market Capitalism</td>
<td>Raising taxes can boost growth if wisely invested (as during the Golden Age)</td>
</tr>
<tr>
<td>“Money doesn’t just come from nowhere, you know”</td>
<td>That is precisely where it <em>does</em> come from. Either Government prints notes and mints coins (a small % of the total) or Government and commercial banks create money electronically – 97% of the total</td>
<td>Government can create money at will. It created £400 billion after the Financial Crisis: over four times the annual budget of the NHS – out of nowhere.</td>
</tr>
</tbody>
</table>

*See Back-up slides for more data on these myths*

*Source: Bank of England*
To prevent future mass impoverishment we must start with constitutional reform and fact-based policy.

**Step 1:** A Democratic Reset – constitutional reform

**Step 2:** Base Policy-making on Fact, not Myth

**Step 3:** Formulate Policy for Abundance and Solidarity – grow the pie and share it fairly

**Step 4:** Invest Wisely in the Future

**Step 5:** Ensure Clean, Competitive Markets

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*Source: 99%*
Step 3: We must formulate policy to grow the pie faster (creating abundance) and share it more fairly (solidarity)

Ensuring Solidarity

Growing the pie

Type I: Captured Growth Policies
Balance with types II & IV
- Widespread automation
- Large scale immigration
- Free trade with low-cost countries
- Unfunded tax cuts

Type II: Shared Growth Policies
Focus policy here
- Investment in:
  - R&D
  - Infrastructure
  - Education
  - Healthcare
- Direct job-creation
- Supporting Private Sector investment

Type III: Vulture policies
Avoid
- Funding tax cuts by reducing benefits and public services
- Regressive tax changes

Type IV: Balancing Policies
Use to balance Type I policies
- Raising the minimum wage
- Paying benefits to those in need
- Progressive tax changes

Creating Abundance

We need much more of this...

Not growing the pie

Source: 99%
Summary

• The pie is growing, but most people are now getting smaller slices:
  • in the last 35 years (the Age of Market Capitalism) the rate of economic growth has slowed
  • and that lower growth has largely gone to the already wealthy: over the last 10 years, most people’s wages have declined – this is mass impoverishment

• On current trends, mass impoverishment will mean that by 2050 the UK's median earner will be almost half way to today's poverty income!

• But there are policy options available: current government debt is at a historically low level; there is room for higher taxes; and it is not impossible to create new money (as was done during the banking crisis)

• To end mass impoverishment we need constitutional reform and fact-based policy aimed at growing the pie faster and sharing it more fairly.

NOW WE NEED YOUR HELP TO MAKE THIS HAPPEN
Back-up slides
The US and the UK do not need to spend less because times are tough

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**The Myth**

“There isn’t a magic money tree that we can shake that suddenly provides for everything that people want.”

Theresa May (in answer to a nurse asking why she hadn’t had a pay rise for 8 years – a real-terms pay cut)

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**The Facts**

Both the US and the UK are richer today on a per person basis and adjusting for inflation than they have ever been. Anything they could ever afford, (including paying nurses) they can afford today.

Government has three ways it can pay nurses: 1) it can borrow; 2) it can tax; 3) it can create money out of nothing.

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*Source: World Bank; PositiveMoney.org*
UK Government Debt is *not* at record levels

This tiny part of the picture is what we are shown, and out of context, it looks scary.

**The Myth**

“To every mother, father, grandparent, uncle, aunt – I would ask this question. When you look at the children you love, do you want to land them with a legacy of huge debts?”

David Cameron

**The Facts**

The UK’s Government debt is not ‘huge’; it is not ‘rather high’; it is not even ‘average’ – it is below the average of the last 300 years. But that debt was the justification for austerity.

Source: Bank of England
High debt levels did *not* prevent the Golden Age.

**The Myth**
High levels of Government debt spell economic disaster. Paying off the debt requires higher taxes, which cripple economic growth, and nobody ends up benefitting.

**The Facts**
High levels of debt preceded both the Industrial Revolution and the Golden Age of Capitalism – two of the most successful periods in our economic history.

*Source: Bank of England*
Higher taxes do not stifle growth

The Myth

“...penalizing investors, successful entrepreneurs and job creators with higher taxes, to reward the less productive ... to make everyone more equal, is a sure-fire way to get less productivity, fewer jobs, lower wages and reduced economic growth.”

Peter Ferrara

The Facts

Over a long time frame, there is no evidence of such a ‘sure-fire’ link. Higher taxes correlate with higher growth – possibly because the wealthy ‘invest’ their income, often in pre-existing assets, while the poor spend and fuel demand.

Source: Maddison, IRS, Dynan, Skinner & Zeldes
And it is not even true that money cannot come from nothing – the vast bulk of all money does exactly that.

Money is created (almost) out of nothing in a variety of ways:

1. a central bank has coins minted and bank notes printed;
2. a central bank creates money electronically;
3. commercial banks create money electronically by making loans – and this is how the vast bulk of all money is created

The Bank of England’s QE programme has created over £400 billion of new money – out of nothing. And almost £1 trillion of guarantees were made to support Banks. More than 11 years’ budget for the NHS.

*Source: US Federal Reserve; Bank of England; NAO*
Step 1: A Democratic Reset is the vital first step to change

1. An elected government should have an explicit duty to govern for the benefit of its entire population

2. There should be a written constitution in countries which do not have one, or constitutional amendment in those countries which already have one, to enshrine Point 1 above

3. The constitution should safeguard separation of powers to prevent the risk that capture of one part of the elite facilitates capture of the remainder

4. Media ownership should not be concentrated

5. The constitution should also protect against an elected government seeking to circumvent democratic safeguards

Point 1 seems so obvious that it should go without saying. Unfortunately, as the figures show, it also goes without doing. We need to enshrine it in our constitution.

Source: 99%
Step 2: We need a serious effort to move political discussion and policy formulation to the level of approximate truth

<table>
<thead>
<tr>
<th>Fact</th>
<th>Post-fact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td><strong>Definition</strong></td>
</tr>
<tr>
<td>Absolute truth</td>
<td>True without reservation and demonstrable by experiment or logical reasoning</td>
</tr>
<tr>
<td>Approximate truth</td>
<td>Broadly true and not misleading – but there will be exceptions</td>
</tr>
<tr>
<td>Deliberate misrepresentation</td>
<td>Does not contain outright falsehoods, but facts are presented in such a way as to be misleading</td>
</tr>
<tr>
<td>Unfounded falsehood</td>
<td>Comment may be based on real-world events but reporting is not factual and is deliberately misleading</td>
</tr>
</tbody>
</table>

**Example**

<table>
<thead>
<tr>
<th>Fact</th>
<th>Post-fact</th>
</tr>
</thead>
<tbody>
<tr>
<td>“The world is not flat”</td>
<td>“The world is not flat”</td>
</tr>
<tr>
<td>“There are no integers (a,b) for which (a^2/b^2 = 2)”</td>
<td>“Immigration is good for the economy as a whole, but for unskilled and semi-skilled workers there is a small negative impact”</td>
</tr>
<tr>
<td>“Migration has a positive impact in three areas – the labour market, the public purse and economic growth.”</td>
<td>“Every week we send the EU £350 million which could be used to fund our NHS instead”.</td>
</tr>
<tr>
<td>“Every week we send the EU £350 million which could be used to fund our NHS instead”.</td>
<td>“Pope Francis Shock World, Endorses Donald Trump for President”</td>
</tr>
<tr>
<td>“No deal, no problem”</td>
<td>“No deal, no problem”</td>
</tr>
</tbody>
</table>

*Source: 99%*
### Step 3: We must formulate policy on the basis of Abundance and Solidarity – no more Vulture Policies

<table>
<thead>
<tr>
<th>Growing the pie</th>
<th>Creating Abundance</th>
<th>Not growing the pie</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ensuring Solidarity</strong></td>
<td><strong>Type I: Captured Growth Policies</strong>&lt;br&gt;Balance with types II &amp; IV</td>
<td><strong>Type III: Vulture policies</strong>&lt;br&gt;Avoid</td>
</tr>
<tr>
<td>Sharing the pie unfairly</td>
<td>Widespread automation&lt;br&gt;Large scale immigration&lt;br&gt;Free trade with low-cost countries&lt;br&gt;Unfunded tax cuts</td>
<td>Funding tax cuts by reducing benefits and public services&lt;br&gt;Regressive tax changes</td>
</tr>
<tr>
<td>Sharing the pie fairly</td>
<td>Investment in:&lt;br&gt;• R&amp;D&lt;br&gt;• Infrastructure&lt;br&gt;• Education&lt;br&gt;• Healthcare</td>
<td>Raising the minimum wage&lt;br&gt;Paying benefits to those in need&lt;br&gt;Progressive tax changes</td>
</tr>
<tr>
<td><strong>Type II: Shared Growth Policies</strong>&lt;br&gt;Focus policy here</td>
<td><em><em>Type IV</em>: Balancing Policies</em>*&lt;br&gt;Use to balance Type I policies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Direct job-creation&lt;br&gt;Supporting Private Sector investment</td>
<td></td>
</tr>
</tbody>
</table>

*Source: 99%*
Step 4: We must Invest Wisely in the Future

The Myth
It was responsible government to reduce the spending on flood defences as part of the austerity programme.

The Facts
There were serious floods in 2015. The cost of the damage to the UK ran into many billions of pounds. Spending on flood defences would have been a sound investment for the UK economy, while ‘saving’ taxpayers a few hundred million pounds has cost them over £5 billion.

Source: DEFRA
Step 5: We must Clean-up Capitalism

### The Myth

What’s good for business is good for the economy, and what’s good for the economy is good for the people.

### The Facts

Until we create clean, competitive markets this will not be true.

While businesses can externalise their costs, bad businesses can benefit from hidden subsidies, which allow them to drive out good businesses.

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**Profit and Loss Account**

<table>
<thead>
<tr>
<th>Description</th>
<th>Reported values in profit and loss account (£ million)</th>
<th>Benefit of subsidies (externalised costs)</th>
<th>Value in unsubsidised profit and loss account (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,500</td>
<td>0</td>
<td>1,500</td>
</tr>
<tr>
<td>COGS</td>
<td>(1,145)</td>
<td>23</td>
<td>(1,168)</td>
</tr>
<tr>
<td>Variable staff cost at minimum wage</td>
<td>(118)</td>
<td>39</td>
<td>(157)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>237</td>
<td>61</td>
<td>176</td>
</tr>
<tr>
<td>Graduate payroll below threshold</td>
<td>(20)</td>
<td>5</td>
<td>(25)</td>
</tr>
<tr>
<td>Other payroll</td>
<td>(100)</td>
<td>0</td>
<td>(100)</td>
</tr>
<tr>
<td>Government grant income</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>(49)</td>
<td>0</td>
<td>(49)</td>
</tr>
<tr>
<td><strong>Operating costs</strong></td>
<td>(168)</td>
<td>6</td>
<td>(174)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>69</td>
<td>67</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: 99% Appendix IX

The business is not carbon-neutral – we bear the cost

It does not pay a living wage – the rest of society picks up the tab

It wants graduate skills, but does not pay them enough to cover their loans

The subsidies make this business very profitable