

Policy Report

2019 General Election: Analysis of Party Manifesto Pledges

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Patrick Allen

Introduction

- Patrick Allen

In this report, the Progressive Economy Forum (PEF) has called upon its [council members](#) to express their views on key policy areas for the 2019 General Election.

This is arguably the most important election in decades. With the country standing at a crossroads and the choices between the political parties' stark, the result will determine the future direction of the country.

A Conservative majority would see us exiting the European Union, potentially via a No Deal Brexit in 2020.

Any form of Brexit will leave the economy in a worse position compared to the option of Remain according to expert opinion, including that of the UK government. PEF's report by Jeremy Smith came to this same conclusion¹. Under the Tories proposed fiscal framework, there would be [little or no scope](#) to undo the harm of austerity.

The alternative is a Labour government which will implement one of the most radical manifestos for decades. Though radical compared to the policy agendas of the other parties, the programme is not lacking in credibility.

Most of its proposals will only replicate what is happening in other European countries. Public spending would remain at a slightly smaller share of GDP than that seen in [Germany](#). The levels of public investment in infrastructure and the corporation tax rate would remain well within the [OECD range](#) - and would put right the UK's uncommonly low levels of investment, which have been the lowest in the OECD for each of the last 20 years.

The Labour proposals appear convincing and achievable. Day-to-day spending would be covered by a reasonable increase in taxation for those that can afford it

¹ Smith, J. (2019) *The Great Brexit Wrench*. London: PEF, p.7. Available from: <https://progressiveeconomyforum.com/publications/the-great-brex-it-wrench/>

- companies and higher earners. Equalising the rates of capital gains and dividend taxes with income tax rates, a financial transaction tax and an increase in corporation tax will provide substantial additional revenues which are needed to revitalise the public services which constitute our social fabric.

Infrastructure spending could be covered by bond sales. There is appetite by pension companies and other investors to buy UK bonds which are seen to be a much-needed safe haven.

The Social Transformation Fund and the Green Transformation Fund would seek to restore the UK back to prosperity and create a new generation of much-needed green jobs. A National Investment Bank would channel private funds into investment projects and mend the fact that the UK has been an international outlier by lacking such an institution, regional investment banks would address the chronic under-investment in many parts of the country.

PEF is primarily interested in the economic arguments, but commentators have rarely considered the macroeconomic benefits of a substantial injection of state investment into the UK's underperforming economy. The Keynesian multiplier ensures that government spending achieves a rise in GNP of at least an [estimated 1.5 times the injection](#). This is within the range of the IMF's 2012 reassessment. This could be expected to generate considerable returns for the economy and government revenues.

Contrary to the claims of some, the UK's level of national debt is not exceptional or unaffordable. It rose due to the Global Financial Crisis of 2007-8 and its after-effects. It had nothing to do with levels of public spending in the period before the crash. Austerity policies have made the level of public debt worse but can be reversed.

The way to restore the economy is for sensible government spending to stimulate demand and much-needed investment in infrastructure.

In the following papers PEF Council members find the Labour manifesto the most convincing. It presents a much-needed opportunity to revitalise our infrastructure and public services, create a new generation of quality green jobs, end stagnant productivity and achieve rising living standards across the board.

The End of Austerity

- Lord Skidelsky

As the general election approaches, all the parties have entered a bidding war. The Conservatives promise to spend an extra 3% of GDP on investment, potentially £100bn over five years; Labour plans to spend an extra £150bn over five years on infrastructure; the Liberal Democrats an extra £50bn. While all such promises deserve a degree of scepticism, it is important to consider the rationale for such commitments.

According to Boris Johnson 'It is thanks to the prudence of the Conservatives that we are able to make [these extra] investments'. In point of fact, it is thanks to the misguided 'austerity' policies of George Osborne that our infrastructure has decayed so much. The Conservatives could have borrowed all the money they now promise over the last nine years at near zero interest rates. That is, had they not been committed to the foolish and harmful policy of 'balancing the budget' in time of recession. They have never acknowledged their mistake, much less apologised for it, preferring to blame Labour for the 'mess' they inherited. This makes their present spending promises seem unprincipled; and liable to be reversed at the next sign of economic trouble.

Labour opposed the Coalition's cuts at the time and John McDonnell has argued sensibly for a new framework for doing the public accounts. The government, he says, should take account of the asset as well as the liabilities side of its balance sheet in drawing up its fiscal rules, something urged by Richard Hughes, former head of fiscal policy at the Treasury. Recognising the value of public sector assets like aircraft carriers, roads, or HS2 would give governments legitimate scope to increase spending on infrastructure.

Politicians will always cheat on their own rules but at least Labour's plans offer a principled, and not merely opportunistic route to reviving the role of state investment in providing our economy with essential public goods.

Fiscal Policy, Debt and Deficits

- Professor John Weeks

Labour and Conservative Parties, plus the Liberal Democrats, commit themselves to increased public expenditure, apparently ending almost a decade of debilitating fiscal austerity. PEF welcomes this change in policy by the Conservatives and the Liberal Democrats. No voter should conclude that the fiscal frameworks of these parties are essentially the same.

First, while the Labour Party commits to the most substantial budgetary expansion, it is a mistake to focus on the overall size of the expenditure increases each party promises. This quickly leads in bickers over what is actually new and whether commitments are sufficient for the goal sought. Second and equally unenlightening, focus on amounts invariably degenerates into assertions about “affordability”. The commitments of all parties are “affordable” in the basic sense that they are easily financed by an appropriate combination of growth-generated revenue flow, new and higher taxes, and borrowing.

These two considerations identify the central difference that divides the party approaches. Of all parties, large and small, only Labour places its expenditure programmes into a clear fiscal framework, part of an overall plan for reversing austerity, environmental protection, inequality reduction and economic modernisation. Without an expenditure framework, commitments may be laudable, but their impact is piecemeal. It is for that reason, their structured nature linked to outcomes, that PEF assesses the Labour Party’s fiscal plans as the most credible and effective.

Most assessments of the party fiscal commitments by think-tanks will focus on their impact on the fiscal balance (“deficit”) and the public debt. This approach is both misleading and banal. It is misleading because few if any of the assessing organizations employ a systemic framework and covers the entire economy. As a result, many direct and indirect effects of expenditure and tax are ignored. For example, spending tends to expand the economy, which generates more revenue. Tax increases slow expansion, thus reducing revenue growth. Only a systemic framework allows evaluation of the net effect of spending and taxation on deficit and debt outcomes.

The narrow focus on deficit and debt is banal because it judges a broader public purpose, rejuvenation and transformation of UK society, on the basis of cost accounting. In the autumn of 1939 with Britain facing an existential threat, no major politician made the decision of war and peace based on affordability. Nor should we now, as we face existential threats of climate change and social cohesion.

Austerity - It can drive you Wilde...

- Dr Sue Konzelmann

Although none of the political parties is pledging to continue austerity in their election manifestos, over the last decade, most of us have been on the receiving end of innumerable attempts to justify continued austerity in the UK. And there has been much talk of the need to reduce public deficits and debt. The impression you get, is that everything has a price; and when it comes to austerity, that's all that matters. In the words of Oscar Wilde's Lord Darlington, a cynic is "a man who knows the price of everything and the value of nothing."

There has been a fair amount of cynicism in discussions about austerity. The value of spending over £136bn in public funds bailing out the banks following the 2008 financial crisis, for example, would be questionable enough in itself, without then using it as an excuse to deprive so many taxpayers of essential public services that we use, value and, in many cases, depend upon. If this continues, our society will soon begin to unravel at an even more alarming rate, as we cut the ties that bind it together.

Cuts to local authority spending have had a drastic effect on the level and effectiveness of social services, whilst you hear a lot on the TV – on a daily basis – about the devastating effects of cuts to the police and emergency services. The corrosive effects of multiple cuts, acting together, becomes all too clear when you talk to the people running the UK food bank system – but that's something you hear a lot less about in the news.

Perhaps counterintuitively, the vast majority of people who have been forced to use food banks are actually in work. But the government's attempts to save money through changes in the benefit system – like Universal Credit – has meant that people claiming it, won't get a payment for up to five weeks. It also turns out that in order to avoid homelessness, many food bank users are choosing to pay their rent, rather than buy food. Cuts to social care, have also resulted in rising homelessness – and another source of people reliant on food banks.

Austerity, as a single policy, is a very blunt instrument, that has focused on price, rather than value, critically impacting many inter-related policy areas. Undoing its damage will therefore mean not only sharply revising policies in such areas of

affordable housing, employment, health, education and social services; it will also require changes in benefit structures and delivery – to ensure that they work together as seamlessly as possible.

This vision might seem ambitious. It shouldn't be. In the words of Oscar Wilde's Lord Darlington once again, "we are all in the gutter, but some of us are looking at the stars."

A British National Investment Bank for the Climate Emergency

- Professor Stephany Griffith-Jones and Dr Natalya Naqvi

The UK private financial system has not performed well to support the real economy. It has been pro-cyclical, over-lending in boom times but rationing credit during and after crises. It has not sufficiently funded long-term investment in key areas like green energy, needed to avert climate catastrophe, and create green jobs. Private and public investment has been historically low in the UK economy, and fell sharply since the 2007/8 crisis, to an important extent due to Tory austerity. The UK remains in last place amongst both G7 and OECD countries, with the lowest share of investment in GDP.

Because they benefit from government ownership, which allows them to borrow long-term at fairly low cost, NIBs are ideally placed to fund projects that are environmentally or socially valuable but are too risky to be attractive to purely private finance, such as funding a Green New Deal.

Irrespective of governmental policy orientation, rather large NIBs, have been an important feature of the financial sectors of most developed and emerging economies, especially the most successful and dynamic ones, like Germany, France, China, India, South Korea, India and Japan. The UK has been an exception in not having such a public investment bank, despite its evident need.

How do party positions measure up on NIBs?

Although the Conservative party established the British Business Bank in 2014, it has remained far too small to have any meaningful impact. In their 2019 manifesto, the Conservatives indicate that the BBB will grow but it is not clear by how much, nor is the indicated expansion costed. More worryingly, the UK Green Investment Bank, established in 2012 was privatised and sold off to the Australian Macquarie Group.

The Liberal Democrats have also pledged to scale up the BBB and have pledged to inject £5 billion of capital for a new Green Investment Bank, but without

specifying target loan volume or balance sheet size. These initiatives are far from sufficient in the face of the magnitude of impending climate disaster. Furthermore, with the Lib Dem's recent commitment to permanent austerity, it is unclear how credible these pledges are.

In sharp contrast, the Labour party has pledged to create a UK National Investment Bank (NIB) with a strong focus on green infrastructure, and SME lending to boost much needed investment for a structural transformation to a low- carbon and inclusive economy. The total capital of the NIB would after several years reach £25 billion, which thanks to the leverage achieved by the NIB co-financing with private banks, and raising funds on private capital markets, as well as re-investing all its own profits, could lead to a total stock of lending and investment by the NIB of £ 250bn after 10 years. Labour would also provide the Scottish National Investment Bank an additional £20bn of lending power. This amount would be complemented by public resources provided by a £250 bn "green transformation fund" projected to spend £ 25 billion a year, as well as a £150 bn "social transformation fund", that would spend on average of £30 billion a year.

Such significant resources, as pledged by Labour, would help increase investment for a far greener, dynamic and more inclusive UK economy.

Best Industrial Strategy 2019 – Each Parties’ Offering Rated

- Dr Sue Konzelmann

It’s maybe not the subject at the top of everyone’s list when reading the latest party manifestos – but let’s face it, unless you happen to have been living on a deep ocean thermal vent, the position of the various parties on Brexit is hardly going to be news. On the other hand, an effective industrial strategy is the basis of sustained wealth generation – which, in turn, underpins the sort of society that most of us would want to live in. In other words, effective industrial strategy underpins most other things. So what do the various manifestos have to say about it?

To compare the policy choices on offer, it’s essential to keep in mind the key components of effective strategies that have already been delivered elsewhere. After all, until the wheels came off the finance-led economy in 2008, the phrase “industrial strategy” had effectively been an economic heresy in the UK for almost 4 decades. A lot has changed since then.

So what might an effective industrial strategy for the UK look like?

First of all, we’d want to see a clear, ambitious vision, grounded in reality; and this requires fully understanding where we are now, where we think we can get – and the tools we’ll need to get there. Secondly, that industrial strategy would need to be more than just about core industrial elements; it also needs to include things like education policy, policies for commercializing new technologies developed by UK universities, and policies for the provision of a sufficient amount of long-term finance – preferably through a dedicated national business bank, the lack of which currently makes the UK almost unique in the developed world.

We’d also expect these policy areas to be properly integrated, so that productive relationships can develop. Finally, whilst government is a key part of this process, it should not be a top-down dictator; rather, it should help set priorities and provide resources for an arms-length “expert driven” system. Only then, are we likely to get the sustained, long-term effort required – and the best out of everyone involved.

So how do the parties stack up on industry?

Labour

Vision and ambition: There is a clear vision and some ambition in Labour's offering, with a strong focus on "greening" both the economy and industry. However, whilst this clearly has something to offer, there's much more to the UK economy than that. For example, technologies such as cyber security, AI, graphene and other 2D materials are just a few examples of some of the many innovations that lie beyond the green fringe.

Industrial finance: The proposal for a national business bank and a network of regional development banks, with the aim of injecting £250bn over the coming ten years, is right on target. However, whilst this is all very encouraging, questions remain about a dominant focus on green industries. They're necessary; but there's more to the UK economy and that will need funding, too.

Policy integration and resourcing: The link between education, skills, employment and industrial performance is well acknowledged; but there is a lack of detail on exactly how this would actually be achieved, and when.

Institutional structure and long-term viability: The proposed creation of a Sustainable Investment Board (SIB) is interesting; but much will depend upon the definition of "sustainable". If the SIB turns out to be a government agency, rather than an arms-length quasi-public institution, it may find itself easily removed when a subsequent government comes to power. Acknowledgement of the necessity of a public / private alliance, including unions and businesses, is similarly encouraging; but this, too, will need some thinking about, to ensure its long-term viability. There also remains the question of the views of non-unionized labour.

Conservative

Vision and ambition: There is not much in the way of a rallying call, or indeed, any milestones – and therefore there's no means of knowing when aims have been achieved. However, beyond the headlines, it's encouraging to see that most of the key areas, with one notable exception – industrial finance – get a at least a mention.

Industrial finance: There is, conspicuously, no mention of a national business bank, a dedicated institution or set of institutions, to provide sustainable, long-term industrial finance, which is a glaring omission.

Policy integration and resourcing: The links between education, infrastructure, employment and industrial performance are clearly acknowledged, which is a good thing. The connection between key universities, new technology and its development is also encouraging. But instead of engaging with the thorny issue of finance for business start-ups and growth, there is talk of "red tape" management – which is disappointing.

Whether any new resources are to be allocated to industrial development is difficult to discern; most of the costs listed relate to infrastructure, education and environmental policy, rather than industrial policy per se.

Institutional structure and long-term viability: There is no mention of any new institutions or approaches to support industrial strategy, which suggests that this could easily be derailed by that oddest of meteorological phenomena, “economic headwinds”.

Liberal Democrats

Vision and ambition: Like Labour, the Lib Dem manifesto has a very strong “green” focus, although there is some mention of other areas, such as AI, which is nice to see. However, whilst there’s plenty of vision, the means of getting there is far less clear, putting them behind Labour in this respect.

Industrial finance: The proposal for industrial finance focuses on development of the British Business Bank, with initial capital of £5bn, as well as the promise to encourage the financial sector to invest in sustainable businesses. However, the Conservatives’ earlier attempt at this with “Project Merlin”, had rather discouraging results; it is unlikely the Lib Dems will be any more successful.

Policy integration and resourcing: As with both Labour and the Conservatives, the links between education, infrastructure and employment, as well as the need for better paying jobs, are all acknowledged. The inclusion of social infrastructure, such as free childcare and a £10,000 education budget for each citizen, is also an interesting suggestion. However, it’s hard to see how all this spending is consistent with the assumption of a budget surplus as a matter of course – That would lead them towards austerity, rather than investment. Again, aside from the funding for the business bank – which falls far short of Labour’s estimate of what’s needed – as well as education and infrastructure, there’s little clarity on the budgetary resources for industrial development itself.

Institutional structure and long-term viability: Again, the lack of a coordinating body for industrial strategy is a significant disappointment, which makes us wonder how all the things on the shopping list could be delivered – especially over the longer-term.

Green

Vision and ambition: Once again, and unsurprisingly, the focus of the party’s “New Deal for Industry” is almost exclusively based around making industry more environmentally sustainable. As with the Greens’ other policy offerings, this is OK as far as it goes; but there are many things not covered – notably, how UK industry would actually be best equipped to take advantage of this greening process, rather than relying on imports. There is also the now

familiar question about how other, less obviously “green” industrial sectors would be supported – if at all.

Policy integration and resourcing: As with the other parties’ offerings, there is an acknowledgement that skills and training are going to be a major factor in promoting development and providing access to better jobs. However, there’s very little detail on how this would actually be done, and who would provide the volume of training required.

Industrial finance: There is no central business bank on offer, either. Instead, a network of “mutual development banks” is proposed to deliver funding. But how these mutuals and cooperatives are to raise their initial funding is not spelt out. Given the scale and speed of the change that the party is looking for, the scale and availability of funds to deliver it, looks underpowered.

Institutional structure and long-term viability: There is no obvious central body to maintain guidance and ambition for industry on offer. If the initiative is driven largely from within government, it’s much less likely to be sustainable or to survive the inevitable future changes of government.

Brexit

Vision and ambition: The focus of the Brexit Party is, as the name suggests, overwhelmingly on ensuring that Britain leaves the EU, rather than how to develop a more effective industrial future. Key points, such as “invest in strategic industries” doesn’t offer very little illumination.

Policy integration and resourcing: There are, as a result, beyond the usual mention of training – and the focus on tree planting for CO2 absorption – not many clear policy ideas to integrate.

Industrial finance: There’s no mention of a national business bank, or indeed any other mechanism for making use of the “Brexit Dividend” for developing industry.

Institutional structure and long-term viability: From the above, it will come as no surprise that there is little real evidence of time being invested in long-term planning and sustainability.

And the Winner is...

Certainly not UK residents, that’s for sure. Whilst the Labour offering has clear advantages over the competition in terms of developing a strategy for a more effective industrial sector to power a better society, what these offerings collectively reveal, is the time and energy that has been wasted as a consequence of austerity since 2010, and Brexit wranglings since 2016. We need to do a whole lot better than this. But with a Labour government, what we may get soon, at least, is a start.

Who's Credible on Tax?

- Professor Richard Murphy

We now have the manifestos for the election. We know what the parties now say about tax, even if we cannot know what they will actually do.

The differences in opinion are stark. Addressing, due to space, those parties standing in most seats, it is clear that none of the parties come close to understanding the true role of tax in the economy as yet. All are fixated on the idea that current spending must be covered by tax and only investment may be financed by borrowing. The household analogy within macroeconomics is alive and well and living in the UK, and it's wrong. The role of tax in delivering social and economic policy in its own right is still being ignored by all the parties, excepting the Greens, with their proposal for a Universal Basic Income, and that will not be happening any time soon. This misunderstanding is a massive contributor to economic mismanagement.

Within that framework there is enormous difference in tax policy on display. In particular, Labour's recognises a threefold need. One is to address poverty. The second is to end austerity. The two are, of course, related. And third, it wants to promote a Green New Deal. And it will spend to achieve all three.

The IFS have said this plan from Labour is not credible. I disagree. The plan for investment is largely in small projects that can be ratcheted up quickly as skills become available. And the social plans will achieve their goal, including of increasing incomes. This is a plan for the moment.

The tax dimension of it (and it's always an aspect) also makes sense. To the extent that tax is needed the aim is threefold. Wealth is taxed more, as it is dramatically undertaxed now. Labour is right to tax it more. The same is true of corporation tax, where Labour's proposed unitary tax base for international taxation will lead the world, whilst the increase in rates will simply bring the UK back into line with the world. No one is actually going to change their behaviour as a result of either reform. And nor, when it comes down to it, will almost anyone those who are well off enough to earn more than £80,000 a year flee the country, or even work less, as a result. First, most of those people are on contracts that do not vary pay with tax rates. Second, most people have no clue how much tax they pay. And third, most people work harder when they earn less if (as is true of many of those on high pay) they have fixed and very expensive commitments. The plan does, then,

make sense. Inelastic behaviour will result in the higher taxes being settled with little issue arising.

The Tories on the other hand are locked into the belief that tax sells election victory, and so are committed to maintaining the status quo. But in so doing, a very small change to national insurance apart, they also lock in the existing social infrastructure and with it the income and wealth inequality that even organisations like the OECD and IMF say is harmful. Not only are the Tories not using spending to break austerity and defeat inequality, they're refusing to do anything at the top end either, meaning that all the divisions in society that have been so destructive of our well-being will be maintained. In this sense the Tories are really being true to form conservatives.

And in the meantime the LibDems are so far out in the tax cold that they think hypothecated taxes for the NHS might work with the electorate and in practice. But that is not how tax works, and even given the terribly low level of understanding of tax that pervades the UK I suspect enough of the electorate realise that is the case to be indifferent to the promise. The LibDems do really need to try harder.

As for the Greens, carbon tax dominates their agenda. It worries me. They are almost always regressive. The Greens proposal would be, I fear. And I am not wholly convinced a universal basic income makes up for that. The Green manifesto is only of tax interest on tax because it is a place where ideas can be explored. I suggest that this one still needs a lot more exploration.

Overall? Labour has a good offering that makes economic and social sense. It has, thankfully, abandoned its fiscal rule. But like the other parties it still shackles itself unnecessarily on tax by adopting an inappropriate and discredited macroeconomic view of tax. The Tories do the same to reinforce division in society that will cost millions a great deal financially and even more in their wellbeing. And the rest took part, but without serious intent.

All of which leaves only one rational choice when it comes to tax, and that is Labour.

An End to Britain's Housing Disaster?

- Danny Dorling and Adam Peggs

As polling day gets closer, housing remains a fundamental issue for many people, especially in Southern England where housing is most unaffordable, but also across the UK where rents are often unreasonably high and housing quality is low by normal European standards.

Homelessness has spiralled; and the UK now appears to have the highest rate of people living on the streets to be found in all of Europe. Over 1.15 million households are on the social housing waiting list. Tenants' rights are weaker in England than almost anywhere else in Europe². The UK's surge in housing costs for the poorest has been the 'worst in western Europe'³. In several parts of even otherwise affluent cities, such as Oxford, the most common way to die young is now to die homeless⁴. This is a new trend. This crisis of affordability and security is the backdrop for all the political parties' bids on housing. While the Conservatives have put forward new funding for social housing and scrapped the cap on local authorities borrowing to fund council housing, social housebuilding stills remains at a fraction of the level needed – and much of this will not be let at social rent. Further, when the Conservatives have been in office their promises to build more houses have tended to be chimaera (other than their 1950–1964 governments).

This is borne out by recent history. Out of the 200,000 'affordable' Starter Homes the Conservatives pledged to build in 2015, zero have been built. In 2017–18 just over 6000 new social rented homes were built⁵. While in June 2019, Homes

² Shelter (2016) *Time for Reform: How our neighbours with mature private renting markets guarantee stability for private renters*.

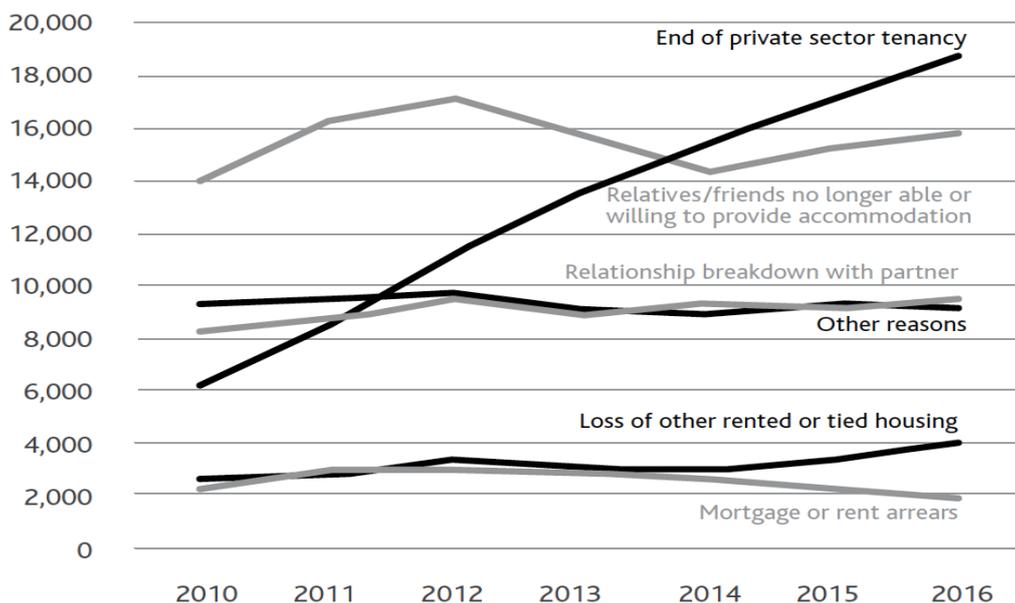
³ "UK surge in housing costs for poorest 'worst in western Europe'" <https://www.theguardian.com/society/2018/mar/21/uk-europe-housing-cost-rise-lowest-earners-report>

⁴ Brimblecombe, N., Dorling, D., and Green, M. (2019) Who still dies young in a rich city? Revisiting the case of Oxford, *The Geographical Journal*, DOI:10.1111/geoj.12336, Accepted Article published online on 12 November, 2019

⁵ "Construction of homes for social rent drops 80% in a decade" <https://www.theguardian.com/society/2018/nov/22/construction-of-homes-for-social-rent-down-80-percent-on-a-decade-ago-england-families-waiting-lists>

England reported that the number of new starts that would be for social rent had declined on the previous year⁶.

Figure 3.12.1: Reasons for becoming homeless, England, 2010–2016



Source: Department for Communities and Local Government, Statutory Homelessness Statistics, Table 774, December 14th 2017

Figure from Dorling, D. (2018) *Peak Inequality*, Bristol: Policy Press

The Liberal Democrats are calling for 100,000 new homes for social rent per year, alongside a new ‘Rent to Own’ model for social housing – this would unfortunately encourage the depletion of the social housing stock. They are also calling for the introduction of loans to pay for deposits for renters under 30 – a stopgap measure which risks increasing private debt. That party also has a poor record on housing and homelessness. When it was in power with the Conservatives in 2010 the UK saw the greatest acceleration in homelessness, an issue caused by landlords more frequently evicting families partly because they knew they were able to do so with little fear of government intervention.

Labour have pledged that by the end of a parliament they would be building 150,000 council and social homes, with 100,000 a year built by councils, going notably further than the two other parties in addressing the affordable housing shortage. These new homes would, on average, be more affordable than the broader category of social housing. Labour have also pledged to introduce long term, open-ended tenancies in the private sector, provide state funding for

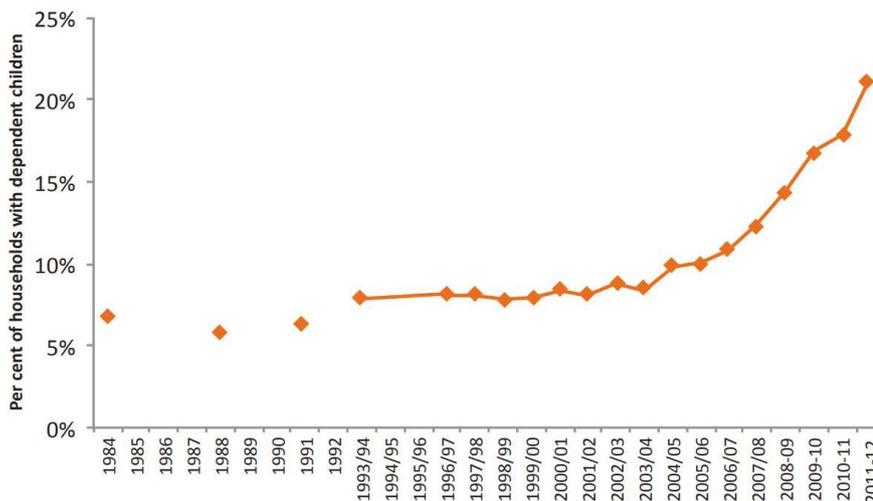
⁶ “New housing statistics show increase in affordable homes”, Homes England (2019) <https://www.gov.uk/government/news/new-housing-statistics-show-increase-in-affordable-homes>

renters' unions – and they have suggested that now is the time to introduce caps on rent rises.

However, the most effective Labour policy of all is their aim to reducing income and wealth inequality, which is what taxing the top 5% and taxing second homes partly achieves. The biggest waste of housing in England today is empty homes either being hoarded as an investment, or almost always empty as the second or third property of the very affluent. There are so many empty homes in the UK today as to be enough to house the homeless population 10 times over. Research from the University of York has demonstrated that it is high income and wealth inequality that allows our housing stock to be so badly used. The current catastrophe began with the crash of 2008, but has been allowed to become so much worse since and was – all – unnecessary.

Dorling, D. (2018) *Peak Inequality: Britain's ticking time bomb*, Bristol: Policy Press.

Figure 3.7.1: Households with children private renting, England 1984-2012



Note that Annex Table 1.5: Households with dependent children, by tenure, 2003-04 to 2015-16 gives the figures for the four years after this as being 21%, 24%, 24% and 25%, or 6,602,000 households in England by 2015/16 according to the 2015-16 English Housing Survey Headline Report.

Original source: Source: Social Mobility and Child Poverty Commission (2013) *State of the Nation* 2013 October 2013, London: The Stationery Office.

Figure from Dorling, D. (2018) *Peak Inequality*, Bristol: Policy Press

Universal Credit - Moralistic social policy that destroys lives

- Guy Standing

Universal Credit is the flagship social policy of the Conservatives launched with the Liberal Democrats in 2010, which after nine years of spending and chaotic waste of resources, with numerous glitches, is still in the process of being 'rolled out'. The Conservatives' manifesto for the General Election pledges to "continue the roll out of Universal Credit", without a hint about why it has taken nine years to implement so far.

Labour is committed to abolishing Universal Credit initially by simplifying its complex behavioural and other tests for obtaining state benefits. Labour is also committed to piloting basic income, i.e., a flat-rate benefit paid to all legal resident citizens, coupled with needs-based payments for those with disabilities and with other special needs, such as maternity, accidents, frailty or old-age. The Green Party is also committed to abolishing Universal Credit and to replacing the core with a basic income, with housing and disability benefits retained.

Voters and commentators should realise what Universal Credit purports to do and what it does. It is the most strategic policy of modern neo-liberalism, more important in its ambition than most people realise. By the early 2020s, according to the Child Poverty Action Group, half of all children in Britain will be enmeshed in it. Every candidate and every voter should regard it as a central issue in the election.....and yet the Conservatives and its media supporters want to keep it away from public debate.

Basically, Universal Credit combines six means-tested benefits into one. A means-tested system is one that aims to give benefits only to the deserving poor. That requires administratively complicated tests to prove somebody is poor and administratively complex tests to determine that their poverty is not their own fault.

Universal Credit (UC) subjects vulnerable desperate people to such invidious tests, which are stigmatising, arbitrary and often hard to understand. Observers should realise that in every country where means-tested benefits have been applied low

take-up rates have resulted, i.e., many of those who should receive benefits do not receive them. In Britain today, according to the government itself, about two in every five people who should receive benefits do not obtain them. The Treasury even budgets on the basis that many who should be receiving benefits will not do so. This is unfair, and is deliberate.

Then there is the Catch-22 trick played on claimants. They are required to apply for benefits online. But many do not have computers or access to one or even know how to use them. They are told that they should use public libraries to apply online. But the Conservatives' austerity policy (long backed by the Liberal Democrats) has resulted in the closure of over 750 public libraries. Even the designers of UC can work out what happens.

To compound the failings of means-testing, if benefits are granted only to those who are poor, then somebody who makes an effort to obtain a low-paying job faces loss of benefits – known as a poverty trap – that makes any gain from taking it small. The Department of Work and Pensions (DWP) admit that such a person faces a marginal tax rate of about 80%. That is ridiculous. Yet the Conservatives are committed to continuing this policy.

The situation is worse, because of what I call the *precarity trap*. The problem starts with the government's mean-spirited rule that someone who becomes entitled to a benefit must wait for five weeks before claiming it (it was six weeks until evidence of hardship became overwhelming). Actually, according to the National Audit Office, a quarter of all claimants do not receive their benefits for over nine weeks. Could someone explain to the designers and supporters of this policy how impoverishing this practice must be. It can only be deliberate.

Now we come to the precarity trap. If someone loses a job, she must wait for at least five weeks without money. Suppose that after eventually obtaining benefits she is offered a short-term job. She would face not only the 80% poverty trap but also the prospect of being out of a job again shortly, having to wait for another five weeks or more before receiving benefits again. It would be irrational to take that job. Yet if she refused to take it, she would be 'sanctioned' and lose all her income.

This is where we come to the worst feature. Under Universal Credit a claimant must be ready to be interviewed and assessed regularly, at short notice, and must prove they are 'working' indefatigably looking for a job. If a local bureaucrat says they have not been looking hard enough or are late for an interview, the bureaucrat – usually poorly trained, inexperienced and working for a private company paid by how much they can save the system – can just sanction the claimant, by suspending payment.

This contravenes a basic principle of common law – *due process*. In effect, they are deemed guilty until they prove themselves innocent. They can appeal, but that takes about nine months, during which they receive no money. Extraordinarily, most people who do appeal win. This is not justice, since they have suffered the penalty for months. Many drift into homelessness and ill-health, many commit suicide or attempt to do so.

The Conservatives claim the threat of sanctions improves work motivation and social integration. There is not a shred of evidence to support that. On the contrary, research has shown it has the opposite effect. But even if there were evidence an instrumental justification for an immoral illegal act is itself abhorrent.

Another amoral feature of UC is that benefits are only paid for the first two children, which obviously penalises any third or fourth child in a family. What has the child done to face such discrimination? Again, the policy is moralistic, rationalised as deterring childbearing by “the poor” (unless the mother can ‘prove’ she was raped). This is toxic utilitarianism.

Then there is the rule that anybody dismissed from a job for alleged misconduct is denied benefits for at least 13 weeks. This rule fails to respect due process. The DWP should not presume one party or the other is telling the truth. A woman may have been dismissed for some petty action but in reality have earlier refused a sexual advance. Or a worker could have objected to having to do menial tasks that were not in his job description. The point is that it is unfair to *presume* guilt and subject the person to a very harsh punishment – loss of an only source of subsistence.

One of the most telling statistics is that so far the number of claimants who have been sanctioned and lost vital income exceeds the number of people properly convicted of crimes or misdemeanours in magistrates and sheriffs’ courts and the penalties have been more severe. Every legally trained person should be protesting at this legal inequity.

Universal Credit is morally repugnant. Any Party advocating it deserves contempt. It is that wrong. Every leader should use the last few days of the campaign to expose what Universal Credit will do to poverty, insecurity and inequality in Britain over the next five years. Where it has been rolled out so far use of food banks by the precariat and social underclass has risen fourfold. The dystopia is here and will grow much, much worse.

How do the parties stack up on social care?

- Professor Susan Himmelweit

Most discussion of social care focuses on its financial costs. It doesn't focus on our "care deficit", the 1.5 million older people without the care they need, nor on what younger people with disabilities need if they are to have the autonomy that the rest of us take for granted. Instead debate tends to be about who is going to pay for this country's unambitious care services. For many years, well before current austerity programmes were introduced, a care system of patchy quality failed to meet all but the most severe needs and left many without any support. After nine years of austerity the system has finally been recognised as being in crisis.

The Conservative manifesto continues to see it primarily as an issue about costs. Its current "prerequisite of any solution", that no-one should have to sell their home to provide for their care, is not a social care policy but one to safeguard the inheritances of their potential voters. Although it is unfair that those unfortunate enough to need long-term care effectively pay an additional inheritance tax, it is truly shocking that the Conservatives seem to consider that the main issue in solving our social care crisis.

Despite Boris Johnson's claim on the steps of Downing Street to have a solution ready and waiting, there is in fact no such plan, just the feeble claim that any solution to the social care crisis needs cross-party consensus. Some such consensus is required to find a long-term solution, but for the Conservatives to leave it at that, suggests that indeed they have no ideas of their own. And it has to be remembered that the last time cross-party support was nearly achieved in 2009, it was the Conservatives who broke rank – by choosing to talk about it in terms of "death taxes".

In contrast, Labour does have an ambitious plan. It will extend free personal care to all over-65s and explore how to do this for the under-65s who need it too. The Greens have the same ambition but are proposing to spend less to achieve it, £4.5 billion per year instead of £10.8bn, suggesting that Labour is taking more seriously the tightening in eligibility conditions that years of austerity have brought and is planning better for rising need. The Lib Dems plan to spend £7bn annually, but this is on health as well as social care, and the conservatives just £1bn on social care, making a great play on the fact they will do this *every year* of the next parliament, as though it is they alone who realise that spending on care needs to be sustained.

Labour's policies are also more ambitious in that they see their extra funding as investment in providing a National Care Service, that will work in partnership with

the NHS, ensuring care is “delivered for people, not for profit”. Only they and the Lib Dems pay attention to the conditions under which care workers are employed, promising them access to training, better contracts and union representation. Without such improvements in how care workers are treated, no other social care reforms are likely to be successful with the shortage of carers already at a critical level.

In terms of additional funding, no party’s offer is enough to meet in full what is needed to put right such a neglected and deteriorating public service. Labour gets by far the closest, and it does have an underlying plan for carrying it out. However, none of the proposed amounts of money will get us to the care system we need. Unless governments decide to wash their hands of any responsibility for care needs altogether - a frightening, but very credible, prospect - far larger amounts of funding will be needed in the next few years. These are not unaffordable; the social care problem is not too expensive to solve. Indeed, as Labour shows in its ambition in a number of other areas, what is needed is a transformation of the economy and our thinking about it, to get our priorities right. **We need to invest the resources required and develop our most ambitious ideas in tackling what really matters: how we treat those members of society with the greatest needs.**

Greening the Financial System

Professor Daniela Gabor

The climate crisis requires a profound structural transformation of our economy. Greening private finance is critical to achieve this transformation.

The greening of the financial system should start with greening central banks.

Monetary policies have an implicit carbon bias. The eligibility criteria for collateral or unconventional asset purchases do not consider climate risks, but rather rely on traditional credit ratings where climate exposures are irrelevant. In other words, financial markets misprice climate risks, and monetary policy operations reproduce this market failure. This matters because climate risks raise financial stability issues *within* the existing mandate of central banks, as a growing consensus in the literature [recognizes](#). By ignoring climate, central banks fail on their financial stability [mandate](#).

Central banks cannot throw the climate risks ball fully in the court of elected politicians. First, [carbon pricing](#) and (in the most ambitious scenarios) green industrial policies are not sufficient, and in some cases politically unfeasible (without US participation, it will be difficult to impose a meaningful global price of carbon). Second, both banks and shadow banks operate under what Mark Carney termed the tragedy of the horizons, that is, they have limited incentives to incorporate climate change in their business models. Without regulatory and monetary policy intervention, they will continue brown lending.

While central banks have led other policy makers in the climate change debates, the actual measures in place do not go far enough. The status quo – voluntary disclosures of climate risks under the TCFD framework – faces significant conceptual and methodological problems, and more fundamentally, it does not actively encourage a shift from brown to green lending.

Rather, as the [Report](#) of the Independent Panel on Green Finance for the Labour Party suggests, there is a case for accelerating the shift to green finance via capital requirements and central bank operations more broadly, under two critical conditions.

One, a *credible taxonomy* of green and brown assets needs to guide green finance strategies. The ongoing political negotiations in Brussels over the EU taxonomy illustrate the incentives at play for private finance: persuade regulators to draw a broad perimeter around 'green' activities, because the political pressures on climate change may persuade regulators to provide subsidies to green finance. A broad definition of green implies that climate policies – from greening monetary policy implementation to capital and liquidity requirements in Basel III or FSB rules on shadow banking – would end up providing subsidies for greenwashing.

Two, a *brown-penalising factor* to correct the failure of financial markets to adequately price climate risks in financial assets. Without a penalty for brown assets to accompany the preferential treatment of green, we have too much carrot and too little stick. The brown penalising factor should be applied to banks and shadow banks – from institutional investors like pension funds, insurance companies or bond funds to their asset managers – to ensure that their lending does not obstruct other decarbonisation efforts and to minimise climate-related financial stability risks.

It is often said that green assets are not low risk and should not be treated as such. That critique implicitly ignores that a massive shift to green, prompted by green/brown regulations, will lead to a more accurate pricing of climate risks in brown assets, and that the relative liquidity of green/brown assets will change.

Still, central banks themselves recognize that there are significant transition risks – risks arising from the pace and nature of decarbonisation policies – in the low carbon agenda. Taking climate risks seriously would require a rapid increase in green investments and reduction in brown ones, so that some assets will become stranded. The decarbonisation process implemented via industrial, fiscal and other policies will also affect finance. This is where policy coordination between green central banks and other climate policies is necessary to ensure that the financial disruptions caused by decarbonisation will be minimal. For this, the [Green Finance Report](#) proposes the set-up of the Green Finance Taskforce – including the Bank of England, the Treasury and other regulatory authorities – as an overarching institutional framework to tackle transition risks and respond dynamically to barriers and obstacles that stand in the way of reorienting private finance towards green activities.

While the Conservatives have deregulated decarbonisation, prioritising the competitiveness of the City over a green economy, and the Liberal Democrats have proposed the return of the [Green Investment Bank](#) as a very small part of an otherwise polluting financial landscape, Labour is offering a significant programme to decarbonise the financial system and re-orient private finance towards low-carbon activities.

Where do the parties stand on Brexit?

- Patrick Allen

Labour

The Labour Party's manifesto puts forward the following plan on Brexit:

1. Immediately after the election they will negotiate a new Brexit deal with the EU.
2. That deal will be subject to a referendum to be held within 6 months of the election. Remain will be the alternative option.
3. The party leader will not campaign one way or the other on the referendum. Individual Labour MPs will be free to campaign either way.

Labour rejects the current deal on offer from the Conservative government for good economic reasons. It would take the UK out of both the customs union and the single market. It would erect a trade barrier between Northern Ireland and the rest of the UK down the Irish Sea. Such a barrier would prevent trade from being frictionless and could ultimately result in Northern Ireland leaving the United Kingdom.

The party is confident that it could negotiate an acceptable Brexit deal which protects employee rights, consumer protections, EU citizens' rights and UK industry. The deal would likely include remaining in the customs union and being closely aligned to the single market. This would ensure frictionless trade between the UK and Europe and lower the economic cost of leaving.

Conservatives

The Conservative Party manifesto declares that the Brexit deal on offer will be implemented if they are elected. This will mean that the UK is outside of the single market and customs union with a trade barrier down the Irish Sea, separating Britain and Northern Ireland. A trade deal must then be agreed with the EU. This normally takes 5-7 years, but the Conservative party have given themselves 12 months to negotiate it. They have said that they will not extend

this period. This would lead to a substantial risk of a No Deal Brexit at the end of 2020.

Most experts on this area, including the UK government, predict a loss to the UK economy in the event of any Brexit with a hard Brexit causing greater harm.

Continuing uncertainty would put investment on hold. With the economy at a standstill because of Brexit, this plan risks enacting significant damage on our own economy.

The Liberal Democrats

The Liberal Democrat's position is that they will revoke Article 50 rather than seek a second referendum if they win a majority

In other circumstances they have said they will stick to their previous policy of a second referendum.

Leaving aside the unlikely prospects of a third party winning a majority in parliament, this position is perceived as anti-democratic as a referendum result should only be overturned by another referendum. The 52% who voted to leave the EU in the 2016 referendum would not be consulted in the event of the Liberal Democrats revoking Article 50.

Analysis

Although Labour has been criticised for a lack of clarity, the current policy is clear in its elements:

There would be a second referendum called within six months of the election; remain would be on the ballot paper; there would be a plausible Brexit option on the ballot paper - one which prevents the creation of a border down the Irish sea.

Overall, it is the Labour position that would be in the best interests of the UK economy. It will lead either to remain or to a very soft Brexit which would cause the least harm of any Brexit deal.

About PEF

The Progressive Economy Forum (PEF) was founded and launched in May 2018. It brings together a Council of distinguished economists and academics to develop a progressive and sustainable macroeconomic programme and to foster wider public engagement with economics. It opposes and seeks to replace the current dominant economic narrative based on austerity.

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