

# Labour & Trade Union Review

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## The Liberal- Imperialist Revival

## Bereavement Benefits

Stuart Holland

Darling's Deal

Regular Features

# Forward To The Past

*"David Blunkett is a realist. He admits that the socialist dream of full employment, in the old sense of the phrase, is dead. Whatever Utopian hope there may have been for it has been choked by today's fiercely competitive global economy".*

That is from an account of an interview with David Blunkett published in *The Times* on February 1st.

The 'Utopian hope' used to involve something rather more than a reasonable prospect of getting a job. When Blunkett was known as the President of the Socialist Republic of South Yorkshire he meant a lot more than that by socialism. But as he narrowed his aims in order to further his career, the Utopian hope shrank down to the mere prospect of having a job. And even that meagre hope has now been jettisoned.

If full employment 'in the old sense' is categorically off the agenda, that must mean that there is over-population, that there are too many people of working age in the country. In another connection we are told that there are too few people of working age relative to the retired population and that this is putting an intolerable burden on the pensions system. The two arguments are not compatible.

Another authoritative statement about the economy was made on the same day. Stephen Byers, Mandelson's replacement at Trade and Industry, said that wealth creation has absolute priority over wealth distribution. So even though wealth creation, or work, is now the priority, it remains the case that there are far too many workers about.

But even though there are too many workers for the work to be done, Blunkett says that "his task is to maximise the potential for work in the UK". And where does that lead? To more workers, with a greater capacity for work, and therefore to an increase in the redundant working population, and a further decrease



in the probability of workers actually having a job.

But Blunkett has a replacement Utopian dream. He "is adamant that a Labour Government can help to satisfy the aspiration of everyone to work in some form at sometime, given flexibility and adaptability". Which seems to mean that, if members of the maximised potential workforce try very hard, and are not too fussy about how they get it, all will have a brief experience of work before they die. That's the New Puritanism. Under the old Puritanism it was sex that was rationed.

Of course it depends on what you mean by work—as it used to depend on what you meant by sex.

And Blunkett undertakes "to bolster the social fabric for those without work and between jobs". He doesn't explain how he intends to do this. Perhaps he might consider enlarged Job Centres with cinemas showing films of people working. Or virtual reality helmets so that the superfluous workers can experience the actual fantasy of work.

The 'flexibility' required for the achievement of the new Utopian dream is that people should expect to change jobs "ten times in a lifetime". But this, of course, does not mean that the old, Luddite, reactionary, un-radical expectation of a job for life is to be expectation of ten jobs in a lifetime. What it means is that the lucky few who worked for a lifetime would change jobs ten times. What it establishes is the probable length of a job. And, given the contraction of the working lifetime by the extension of education and 'training' at one end and the lowering of the 'has been' threshold at the other, the division of what remains by ten gives a period of about three years.

But why only a division by ten? The 'job for life' expectation was only discarded as Utopian in the eighties. And if the 'fiercely competitive globalism' has led to ten jobs per lifetime already, why should we expect it to stop there? New Labour is intent on intensifying globalism and it is therefore undermining the prospect of a three-year-job even while it states it.

The truth of it is that Blunkett and his colleagues have no grounds for anything they say. They gave up their social ideals and purposes in order to win an election, and their only purpose in winning an election was to hold office and exercise it in such a way that they

would win another election. They have no functional long-term position on anything beyond that.

Blair, to give him his due, has an ideal to realise. He wants to dissolve the Labour Party and restore the historic party division of the British body politic—Whigs and Tories. Most of his colleagues do not want that, but their reasons for not wanting it are trivial. They no longer have any distinctive aims and purposes in politics. They are merely Party B to Thatcher's party A. They make themselves over to be merely the 'alternative party' to administer the Thatcher system.

Margaret Beckett's fringe meeting at the Blackpool Conference was impressive. It was the best attended and most live meeting on the fringe—and political debate has moved comprehensively to the fringe now that the Conference itself is an empty show. She addressed a meeting of the Industry Forum of New Labour. It was packed out with businessmen who hung on her every word and were eager to question her, even though she had been sacked from the Presidency of the Board of Trade and replaced by Mandelson.

Jack Cunningham also addressed the meeting. During the question period it was announced that he had to leave to chair the fund-raising Conference Dinner. Were there any questions for him before he left? There were no questions for him up to this point, and a long pause ensued before a token question was put to him. When he left, the meeting once again became an animated discussion between the sacked Secretary of State and the business community.

One might have expected the Industry Forum of a Labour Party, even a New one, to include some participation from the other side of the workforce. But not this one. Mention of anything to do with trade unions would only have raised yawns.

A reactionary note was introduced by a manufacturer. He took issue with the view that business is business is business, and that manufacturing was of secondary importance because it made up only 25% of business. The important thing, he said, was that it accounted for more than 50% of exports. This aspect of things was not dwelt on.

Beckett had clearly flourished amongst the capitalists. It is hard to imagine Mandelson being so perfectly

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attuned to them, and being so fluent in their language. Why was she sacked? Presumably because she was reactionary on the issue of re-establishing the Whig Party.

Would Beckett have been capable of saying what Byers said about the absolute priority of production over distribution? It is, in general terms, a nonsensical statement. The fact is that there is an enormous over-capacity of productive potential relative to distributive capacity. There are far too many workers because the goods cannot be distributed. Increase of production does not wait on an increase of productive force: it waits on an increase of demand within the system of distribution.

A fringe meeting at Blackpool on the theme of 'Labour Heritage' clashed with Beckett's Industry Forum and so we could only cover part of it. When we

Concluded on back page

Gwydion M. Williams

## Notes on the News

### New Labour, Hard Labour?

Tony Blair is trying to persuade ordinary working people that they now belong to a 'new middle class': a concept that sounds worryingly similar to the American notion of a middle class which includes lorry drivers and electricians, indeed almost anyone who had a job. This American middle class has been led by the nose since the 1970s. The dominant Overclass—the richest 10%—have encouraged this middle class to worry intensely about those poorer than themselves. These supposed middle class characters have seen their real incomes stagnate at 1970s level, while losing the security they won as working people under the New Deal.

Are the mainstream of British society likely to be such fools? Probably not. More people call themselves middle class than would have in the 1960s, but not many more. Sixty per cent are still clear they are working class. The upper middle class (which has absorbed the old upper class and aristocracy) is less than 3%. A lot of the newly rich are quite happy to be seen as they are—people from the working class, but with a lot of money and able to live as they please. Less and less do they need to bother with the old upper class, or with middle class respectability, which are only requirements in business and politics.

The working class got disorientated when it lost control of the Labour Party. The continuity between the current Labour ministers and their student-radical past is that they always felt they knew what was good for people, much better than they knew it themselves. But if working people are less clear about their interests than they should be, they are not yet as dumb and money-worshipping as the Yanks.

### Hague remains vaguely posh

With Blair trying to define New Labour as middle class, William Hague

had the chance to pitch in and say that the Tories had always been a party for the working class. As indeed it had, having protected them before they had votes and always tried to include them in a national consensus. Liberals regarded it as a misfortune for anyone to be other than middle class—but middle class on a narrow stuffy definition that has since perished. Are any of Hague's people bright enough? Thatcher had success, not because anyone mistook her origins, but because she did seem to be listening to working class concerns. Including a desire to be more individualistic. And Lord Tebbit as an airline pilot could be seen as 'one of us' by many workers, though I doubt if many of them still think it. The 19th century Liberals failed because they were a middle class party. And the US delusion that working people are also somehow middle class has led to an alienated Underclass and a fat and happy Overclass.

### Gitic: who pays?

"Guangdong International Trust and Investment Corp (Gitic) has been forced into bankruptcy, with debts totalling 36.17 billion yuan (HK\$33.86 billion). It is one of the mainland's biggest corporate crashes. Beijing, in a move likely to damage relations with international banks, has refused to bail out the company, clearing the way for liquidation.... It is the first time since 1949 that Beijing has ordered the bankruptcy of a financial institution. In previous closures, creditors were fully paid off" (*South China Morning Post*, January 11 1999). The next day's issue included a comment that "Beijing's drive to strengthen its guard against potential financial risks comes days after Guangdong International Trust and Investment Corp (Gitic) was forced into bankruptcy due to its inability to repay foreign debts."

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It was fair enough for China to pay off all creditors when the state was running everything. But the normal rules of finance say that if you back a loser, you take your losses. No government in Europe or North America would allow its own people to be squeezed to pay foreign debtors. And nor, it seems, will China. The East Asian Tigers were supposed to be the shining examples for China and India to copy. But it can now be seen that they, and Japan too, succeeded with America's permission and encouragement. The Asian Tigers were the attractive counter-example to the highly successful Leninist model.

Had Europe and America continued to treat Asia as they had for the previous century, Leninism would have become the norm. Military suppression was tried in Vietnam and failed. But the parallel growth of East Asia in a well-managed



world market and the increasing decline of the Soviet Union turned the tide. With hindsight, we can see that the Soviet Union ruined itself in the 1970s.

America's confusion after its loss of Vietnam led the rulers of the USSR to think that everything was going their way. There was no need to compromise with dissidents or reformers in Eastern Europe. And Afghanistan would show that the superior Soviet system could do what the USA had notably failed to do. From a viewpoint of say 2010, it may be equally clear that the USA threw away the fruits of its unexpected recovery and victory by its arrogance in the 1990s.

The Gulf War was supposed to demonstrate that the USA could ruin anything, even if it could not actually rule it. Japan was intimidated into an economic recession, when its economic triumph under rules the USA had defined was suddenly declared to be illegitimate. The US idea of a 'level playing field' has a lot in common with the Rocky Mountains, and Japan knew better than to insist on its rights under the laws as they actually existed.

The Asian Tigers were next on the list. I don't know if anything was specifically plotted, but what is definite is that the IMF turned a crisis into a disaster by its insistence that the interests of foreign debtors had to come first. It applied policies that would probably have given the Soviet Union an 11th hour triumph in the Cold War, had they been applied in Europe and the USA after the stock market crash of 1987.

The treatment of East Asia is having the net effect of transferring money from the poor and middling in East Asia to the rich in Europe and the USA. Much of the 3rd World had been reduced to utter dependency. Nicaragua and Honduras, hit by hurricane, get interest payments suspended for 3 years, but no debt relief. It's the policy of a usurer: keep the victim alive but dependant and ensnared.

But the ruthless treatment of the Asian Tigers was short-sighted and premature, even considered from the selfish interests of the US elite. It seems to have alerted people to the peril, especially in China. They refuse to 'liberalise' their financial system, for much the same reason as a bank would be unwilling to 'liberalise' its bank-vaults in a world full of sophisticated crooks.

Super-rich investors are expected to know what they are doing, or take a loss if they do not. Maybe the elite

didn't expect to be resisted. Their own people still seem happy after being ripped off for a full generation. But then ordinary Americans are able to pretend to themselves that their actual circumstances are a sort of accident and that they really belong with the nice elite in the Overclass. The American idea of a Free Market means the rich take an almost risk-free gamble when they get involved in money-lending and speculation. If it goes well they take the profits. Otherwise the state bales them out 'in the public interest', or repayments that give priority to rich creditors are imposed on poor weak countries.

But China, while poor, is not weak. China is a nuclear-armed superpower with the world's largest army and a solid record of military successes. In the Korean War, the Chinese ended up holding far more territory than the rump of North Korea which was left when they entered the war. So, by the normal criteria, while the war as a whole was a draw, that part fought between China and America was a Chinese victory.

Apparently the net worth of the Chinese banking system is negative. But so what? For as long as the system is well managed and fast growing, why should it matter what the numbers say? The English-speaking tradition for the last couple of centuries had been to protect property at the expense of people, especially small property owners. This was briefly suspended from post-war to mid-1960s, when they put the needs of society first and let money fit in where it could. And that was the best ever period for the society as a whole. The same era also saw the finish of the old ruling class, and inhibited the rise of a the new Overclass that has since flourished. If this Overclass does consolidate itself, it will be very bad for the future of the planet. But it has had its failures, and China looks like being its biggest.

Washington must now fear a humbled Russia and a flourishing China get together. China has lots of cheap consumer goods, while Russia still has much excellent technology, even if the current gangster-capitalism is quite incapable of making use of it. It is questionable if China would want to be burdened with Russia as a whole—not while the West goes on conciliating them, that is. Whatever particular items they need, they can and do buy. For themselves they continue to stick to what has been called a Communist

Keynesianism. But the rest of the world is expected to look after itself, and there can be few Chinese who are not privately pleased by the plight of Japan.

The idea of breaking up China into fragments small enough to bully has been floated enough so that Beijing is understandably worried and thus harsh on dissidents. But even most of the dissidents seem to have taken note of the sufferings of the East Europeans after they trustingly followed the advice of their 'friends' in the West.

We are told that if the state does not cover the gambling debts of the rich, something awful will happen. The convention is, that stock exchange losses are losses. But debts are enforced no matter what, benefiting the rich at the expense of the poor. Most often, poor people in 3rd World pay. Economists, employed at inflated salaries, favour what should be called the Ridiculous Hypothesis. This argues for natural stability, declares that the market always finds its own level. The Ridiculous Hypothesis is not really a belief, because it would also say that the state should never cover the gambling debts of the rich. And this is not what is actually said, not in specific cases when real rich people might get annoyed with the pundits who said it and stop employing them on inflated salaries. China has decided not to play by those rules. It allow in industrialists but limits the financiers. Wisely.

#### Euro Sleaze?

If your house has mice, you can put down traps and block a few holes. Or you can be heroic and burn the entire house down. This will reliably rid you of the mice, though it will also leave you without a home.

Historically, anti-corruption has proved an utterly empty slogan. The normal pattern has been for the replacement establishment to be as bad as the old lot, sometimes worse. Anti-corruption in Italy destroyed a corrupt, but highly successful, Christian-Democratic system that had made Italy rich and did try to look after people. The replacements are less successful, less inclined to try to look after people, and maybe no more honest. It's a familiar pattern. The exceptions are when you have a party with a strong creed, Marxism

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# Support in Bereavement ?

David Morrison considers the Government's plans for new legislation on bereavement benefits due to come into force in 2001

On 18th November, Alistair Darling announced a second set of changes to the benefit system (see Hansard Cols.939ff and the Green Paper *Support In Bereavement*, Cmnd 4104). This involved significant changes to widows' benefits and the introduction of widowers' benefits. Subject to legislation, they are to be introduced in April 2001.

About £1 billion a year is spent on widows' benefits from the National Insurance Fund. The effect of the changes will be to halve the amount spent on these benefits even though they are to be extended to widowers on an equivalent basis. This will be achieved by reducing to 6 months the period of entitlement to benefit of widows with no dependent children. At the moment it is paid until retirement or remarriage. Now it is to become a 'transitional benefit' to give widows (and widowers) a 'breathing space' before going out to work.

New Labour is continuing down the Conservative road of saving on National Insurance benefits by changing the conditions of entitlement so that fewer people qualify and/or qualify for less time. In 1996 the Conservatives cut the period of entitlement to unemployment benefit from 12 months to 6. That was fiercely opposed by Labour on the grounds that it was tantamount to breaking a contract with those who paid National Insurance benefits over the years.

But in government New Labour is singing a different song. It is abundantly clear that they do not intend to restore the unemployment benefit 'contract' broken by the Conservatives. Quite the reverse. They have followed the

Conservative example, first in respect of incapacity benefit and now in respect of widows' benefits. From April 2001 if they have their way, people who haven't worked in the last 2 years will no longer be able to get incapacity benefit and widows with no dependent children will get widows' benefit for 6 months only.

#### Current Benefits

Entitlement to the various widows' benefits is based on the late husband's National Insurance contribution record. At present there are three different widows' benefits:

##### (1) Widow's Payment

This is a tax-free lump sum of £1,000 paid on bereavement if the widow is aged under 60 or her late husband was not receiving Retirement Pension when he died.

##### (2) Widowed Mother's Allowance

This is a taxable, but not means-tested, allowance of £64.70 a week plus any SERPS, plus £9.90 a week for the first or only dependent child and £11.30 a week for each other dependent child. The average amount received by widowed mothers, including SERPS, is £85 a week. Widowed Mother's Allowance is paid from widowhood if the widow has a dependent child or is expecting her late husband's baby, and ceases when the youngest child leaves full-time further education.

##### (3) Widow's Pension

This is a taxable but not means-tested weekly benefit paid to widows under pension age with no dependants if aged 45 and over, (a) when widowed, or (b) when their Widowed Mother's Allowance has ended. How much Widow's Pension is paid depends on the

woman's age at widowhood or when she stops receiving Widowed Mother's Allowance. The rate of payment is £19.41 a week for women aged 45, rising to the full rate of £64.70 a week, plus any SERPS, for those aged 55 and over. The average amount received, including SERPS, is £65 a week.

In 1997/98, some 45,000 widows received the lump sum payment immediately following the death of their husband. About 245,000 widows below state pension age receive the weekly benefits, which are taxable and paid regardless of income. About 35,000 widows receive Income Support (and don't gain anything from widows' benefits, which count as income in the calculation of Income Support).

The Green Paper is not explicit about this but there appears to be about 50,000 widows with dependent children receiving Widowed Mother's Allowance and about 200,000 without dependent children receiving Widow's Pension. This means that about 75% of the expenditure on widows' benefits, that is, about £700 million a year, goes to widows without dependant children. Little wonder then that this is where New Labour proposes to wield its axe.

#### Conditions of Receipt

Widows' benefits are paid only where a woman's late husband has paid National Insurance contributions. If certain contribution conditions are satisfied then full amounts can be paid; reduced amounts can be paid if the conditions are not fully met, but failure to meet the conditions can mean that no benefits are paid.

Approaching 80% of the 295,000



widows aged under 60 are in receipt of one of the weekly widows' benefits. The majority of the remainder fail the qualifying conditions (age on widowhood or no dependent children) not the contribution conditions. Very few fail to satisfy the contribution conditions for the Widow's Payment.

Any SERPS addition to the basic Widow's Pension or Widowed Mother's Allowance is based on the late husband's payment of National Insurance contributions. It is reduced if the late husband had a contracted-out occupational or private pension as an alternative to state provision.

In order to receive widows' benefits, a woman must be in a legal marriage when she is widowed. However, she does not need to have been living with her husband at the time of his death. If a widow remarries or lives with another man as his wife, she no longer receives widows' benefits. Partners from cohabiting relationships are not covered by widows' benefits.

There are no comparable benefits for widowers linked to their late wife's National Insurance contributions. Men "including those who have young children" must rely on private provision and their own earnings or, where they are unable to work, on mainstream benefits such as Jobseeker's Allowance, Incapacity Benefit and Income Support.

#### Proposed Changes

The major change is that the Widow's Pension will be paid for 6 months only (instead of to retirement or remarriage) and will no longer include a SERPS element. It will be paid to widows aged 45 and over with no dependent children providing their late husband's contribution record is adequate.

The other changes proposed are as follows: -

##### (a) Lump sum

The lump sum paid on bereavement, which has been £1,000 for 10 years, is to be raised to £2,000.

##### (b) Widowers' benefits

The UK is under challenge in the European Court of Human Rights about the lack of equivalent widowers' benefits.

The Government has now decided to pre-empt the result of this by extending all widows' benefits to widowers. However, since the latter will be based on their late wives' National Insurance contributions, the number of widowers who will qualify for benefit will be quite small initially. In the House of Commons, Alistair Darling implied that about 20,000 men with dependant children would immediately receive Widowed Parent's Allowance (equivalent to the current Widowed Mother's Allowance). About 50,000 women with dependant children currently receive the Widowed Mother's Allowance.

##### (c) Income Support

Widows and widowers with children living on Income Support will be allowed to keep £10 of their Widowed Parent's Allowance.

##### (d) Transitional arrangements

Men and women aged 55 and over in April 2001 who are widowed in the subsequent 5 years will be exempt from the job seeking requirements attached to benefit entitlement. They can choose to claim Income Support and will be guaranteed benefit equivalent to the old Widow's Pension (£64.70 at today's rates) until aged 60.

Current recipients of widows' benefits will be unaffected. They will continue to receive them as long as they meet the existing entitlement conditions.

#### The Guiding Principles?

According to the Green Paper (page 15), the guiding principles applied in devising the changes to bereavement benefits were:

(1) The greatest help should go to those with the greatest needs, when they need it.

(2) There should be support for families, to recognise the additional costs involved in raising children.

(3) There should be equal treatment between widows and widowers.

(4) The public and private sectors should work in partnership to ensure people have financial security.

Principle (4) is not a principle at all. It is in the nature of a warning to individuals—wrapped up in the warm words 'public private partnership'—to make their own private provision for bereavement because public provision cannot be relied upon.

Principles (1) and (2) imply the payment of benefit on the basis of need and not on the basis of National Insurance contributions, in other words, the abolition of the contributory principle. Applying them to widows' benefits would mean the abolition of widows' benefits. They haven't been applied. Instead, the fact that many widows are quite well off these days, and many of them work, has been used to drastically reduce benefit entitlement for all widows without dependant children. No account whatsoever is to be taken of individual need.

In fact a 5th unstated principle is to be applied, namely, cut welfare spending as long as it doesn't produce a public outcry. This is particularly important because principle (3) is about to be imposed by the European Court of Human Rights. And that will mean extra expenditure on benefit.

Although the Green Paper doesn't say so explicitly, it appears that the reduction in entitlement to Widow's Pension will cut welfare spending by nearly £700 million a year, that is, nearly 75% of total current expenditure on bereavement benefits. To soften the blow, and to enable the Government to say there will be no losers as a result of the change, existing recipients of the Widow's Pension will not be affected. But hundreds of thousands of women alive today will get benefit for only 6 months after their husband's death when up to now they would have got benefit until retirement or remarriage.

To be fair to New Labour, they are not totally opposed to extra welfare expenditure. In fact they have a 6th unstated principle: don't be afraid to spend a little extra if it makes a good headline. Hence, the extra £1,000 on the lump sum, which will cost less than £50 million a year and, contrary to principle (1), will be paid to all widows and widowers regardless of need.

#### Why the changes?

The detailed argument advanced in the Green Paper is that the current system is unfair because long-term help is provided regardless of circumstances. Widows without children can more easily go out to work and anyway lots of them have other income, for instance, from their husband's occupational pensions:

"The current scheme fails to distinguish between those who need continuing help after an initial period of adjustment and those who do not. Bereaved spouses with children may have greater difficulty in supporting themselves through work compared with those without dependants, because of their childcare responsibilities. A long-term allowance paid to surviving spouses of working age without dependent children, however, would be much more difficult to justify now that women make up almost half the workforce. The current scheme already excludes women who are widowed before the age of 45 with no dependent children, on the grounds that they are more likely to be able to support themselves through work, and it gradually provides more weekly benefit for those widowed when older.

"Recipients of widows' benefits are spread fairly evenly across the income distribution—over 40 per cent of recipients are found in the top half of the overall income distribution. The average net income of widows aged under 60 in receipt of widows' benefits in 1996/7 was £180 a week; 75 per cent had net income of over £100 a week; and 50 per cent had net income of over £150 a week. However, the poorest widows with no other sources of income gain nothing from receipt of widows' benefits, because they are offset pound-for-pound in any Income Support they may receive. Only 16 per cent of widows' benefits recipients receive any Income Support." (Page 11-12)

All this is entirely reasonable but it is simply an argument for means testing, for targeting benefit to those in greatest need. It leaves out of account the contributory principle, the principle of a benefit arising from National Insurance contributions, in this case the contributions of deceased husbands. It could equally be applied to the removal of benefit from widows with dependent children, the more so when lone parents

who have never been married don't get such benefit. The only reason why widows are treated more favourably than other lone parents in the benefit system is that their deceased husbands paid National Insurance contributions.

If the contributory principle counts for nothing, then all widows' benefits should be abolished and widows should be forced to rely on means-tested Income Support if their income is inadequate. There are, after all, widows with children with substantial income who will continue to be eligible for widows' benefit. How can a government committed to welfare reform on the principle of "the greatest help to those in greatest need" justify such a waste of public expenditure?

And how can the Government justify paying benefit to widows (and widowers) on the basis of their spouse's National Insurance contributions and not to the surviving partners of cohabiting relationships on an equivalent basis? This is obviously a very delicate subject for New Labour. Widows' benefits is one of the very few areas of the benefit system where a marriage certificate matters. To remove the requirement would leave New Labour open to the accusation that it didn't support marriage at a time when the Conservatives have rediscovered the importance of marriage. It would also mean considerable extra expenditure from the National Insurance Fund. Why spend extra money to gain negative headlines?

Here's how the Green Paper resolves the issue:

"We have considered the position of unmarried couples. The Government recognises and supports marriage. The contributory benefit system has always been based on legal marriage. Marriage provides a straightforward method of deciding whether benefits should be paid. We believe that there would be difficulties in defining and establishing entitlement for unmarried couples at what would be a most difficult and sensitive time. Intrusive questioning would be hard to avoid. In light of these difficulties, we believe that the current arrangements should remain in place, providing security to married couples. Unmarried couples would continue to be covered by alternative state benefits and private

provision." (Page 13)

Establishing entitlement of this kind is commonplace within the means-tested benefit system. New Labour's sensitivity is bogus. It is an excuse for not doing something which would cost money without obviously adding to their popularity. And why introduce this complication when the simplest way of eliminating the anomaly is to abolish widows' benefit altogether and make all surviving partners rely on Income Support, in other words, implement principle (1) properly?

The Green Paper is full of talk about helping the poorest widows and widowers. But the only proposal which will increase their income is the one to allow £10 a week of Widowed Parent's Allowance to be disregarded in the calculation of their Income Support. This will apply to very few people. Only 35,000 widows receive any Income Support at the moment and many of these will not receive Widowed Parent's Allowance under the new regime (because they have no dependent children). However, there will be a number of widowers with dependent children who will benefit. The overall cost to the exchequer will be £10-20 million. This would appear to be another example of unstated principle (6).

This proposal has an interesting side effect: it means that a widowed parent whose spouse paid adequate National Insurance contributions will get £10 more Income Support than any other lone parent with the same needs. Strange that the existence of a marriage certificate and the payment of National Insurance contributions is to become a factor, albeit a marginal factor, in the calculation of a means-tested benefit.

#### Political Response

Once again Alistair Darling had a very easy ride in the House of Commons when he announced his proposals. Iain Duncan Smith for the Conservatives said:

"Here we have a Government who seem to be unable to admit that they are about getting rid of the contributory principle. That is what this is all about. They do it by stealth. Each time the Secretary of State produces another proposal, the ending of the contributory principle lies at its heart."



All of this is true but he gave no indication of where the Conservatives stand. Darling was able to dismiss it all with the assertion that all Governments, including the last Conservative Government, "have changed the conditions attached to the contributory principle", adding: "We are in many respects increasing the benefits available—we are extending benefits to men", which is true.

(For the record, the Liberal spokesman on social security David Rendel had nothing of significance to say).

Malcolm Wicks was the only back-bench Labour MP to comment on the erosion of the contributory principle inherent in the Government's proposals. He said:

"I put it to the Secretary of State that, over the past 20 years, a number of *ad hoc* policy reforms have touched on the national insurance system, yet, paradoxically, we have never had a serious debate about the future of national insurance and the contributory principle in this country. We have to find a means of holding that serious debate about a national insurance system based on the principle that people contribute to the community chest when they can, and draw out, as of right, when they need to do so. Given the new issues such as how we fund long-term care and perhaps pay for parental leave, surely we need a debate to see whether a renaissance of the social insurance principle could be the future of social security if we are to avoid the increasing move towards the nastiness and division of the means test."

Macolm Wicks is one of the few Labour MPs who knows something about the benefit system. He even knows the difference between social security benefits paid out of the National Insurance Fund and welfare benefits paid out of general taxation. Perhaps that is why he has been made Chairman of the Education Select Committee. Darling replied as follows:

"As my hon. Friend knows more than most, the benefits system in this country is complex. The contributory system sits alongside means-tested

payments for extra costs and so on. I suspect that most people going along to the Benefits Agency will ask not about the origin of the payment but about how much they will get and the conditions of entitlement. I agree that this matter ought to be debated.

"The Government approach this as a matter of principle. In general terms, first, we want to ensure that we encourage all those who can work to do so and, secondly, we want to provide security for those who cannot. In each case, particularly where we want to provide greater security, we must ask ourselves how we can best get money to those who need it most. This afternoon's announcement goes a long way to meeting some of the gaps in need that have existed before. I believe that income-related benefits will remain part of the system for some time to come. They are important, particularly for the low-paid. I shall be happy to have a general debate; I am sure that some hon. Members cannot wait, but I suspect that others possibly can."

For him to say that his announcement "goes a long way to meeting some of the gaps in need that existed before" is dishonest—what it does is take away about £700 million worth of benefit from widows irrespective of need. As for the rest, it is abundantly clear that the social insurance principle does not loom large in the Government's thinking. Work for those who can and means-tested benefits for those who cannot sums up the Government's approach. The National Insurance system has been retained in a reduced form for now, not out of a belief in the social insurance principle, but out of a calculation that to get rid of it at one fell swoop might provoke opposition. Far better to erode it bit by bit.

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Mr Clifford provides an Introduction about Morley and Burke, and a Postscript on a recent book on Burke by C.C. O'Brien. A guide to the main personages referred to is also included.

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Kevin Brady

## Parliamentary Diary

### Licence To Kill?

A few weeks ago in a *Guardian* article John Pilger criticised the Government for selling arms to Indonesia which he said were used against the East Timorese people. The following day the Minister of State, Derek Fatchett, replying on behalf of the Foreign Office, claimed that Pilger was wrong, and listed a range of weapons supplied to Indonesia by Labour, but which were licensed by the last Tory government. So that's alright then.

The point, however, is that Labour could have revoked those licences, but didn't. Fatchett also said that "the proportion of licence applications for Indonesia which we have refused has in fact risen". But this implies that some arms licences have been approved. It would be helpful if we were told what they were for.

Meanwhile the people of Iraq continue to suffer and be killed: not only at the hands of Saddam Hussein, but also as a result of British-American inspired sanctions and bombs. And New Labour tell us that their quarrel is with the Iraqi leader and not the people of Iraq. Perhaps we should be told how the bombing of Basra, resulting in the deaths of ordinary Iraqis fits in with this.

Less than a week before American warplanes defending the British-American imposed no-fly zone, bombed Basra, killing eleven civilians and injuring dozens more, Robin Cook told the MPs, "The House should remember that the no-fly zone is not in any way a threat to the Iraqi people; it is there to defend them against being bombed by Saddam Hussein". And the head of the US Central Commands in Washington, General Anthony Zinni, is reported (*Independent* 26 January) to have said, by way of explanation, "We deeply regret any civilian casualties", but in the view of the US "these exchanges have been

initiated by Saddam Hussein". In other words, if only Saddam would do as we tell him, no one would get hurt.

### No Place Like Home

The government has set itself a target of building at least 60 per cent of new homes in England by 2016 on what are commonly known as brownfield sites as opposed to greenfield land. This is a tall order, given that in recent years the ratio of brownfield to greenfield development has been about 52:48.

Between 1992 and 1996, the 48 per cent of new dwellings built used 54 per cent of land not previously developed.

If the Government is to reach its target of 60 per cent brownfield development of the estimated 4.4 million new homes, at least 2.64m more homes will have to be built on previously developed land. This is 360,000 higher than if the 52:48 were to be maintained.

The target of 4.4m new homes requires an average build per year of 220,000 over the period 1996-2016. Over the five year period 1993-1997, the annual average of new homes completed in Great Britain was just under 183,000. An extra 37,000 new homes per year are required therefore if the target is to be reached. Given that the local authority housebuilding programme has collapsed and there are no signs of a revival, the bulk of the new build will have to come from the private sector and housing associations. Land will need to be released quickly to allow them to meet the government's expectations.

### Justice Denied

The issue of police officers taking early retirement to avoid disciplinary proceedings following corruption or incompetence on their part first came to public prominence when a number of senior officers in the South Yorkshire

police force retired a short time after the Hillsborough tragedy in April 1989. The families and relatives of the 96 Liverpool supporters who died had demanded that the officers responsible for the tragedy be brought to justice, but their pleas went unheeded.

Almost 10 years later not a single officer has been disciplined for the failure to act positively that day. Indeed, one senior officer who was put in charge of what became to be known as the black propaganda unit within South Yorkshire (it manufactured half-truths and lies about the behaviour of Liverpool fans at Hillsborough) is now Chief Constable of Merseyside, thus adding insult to injury.

On 25 January, Paul Boateng told the House of Commons, in reply to a question from Louise Ellman (Labour MP for Liverpool Riverside), that "The Home Affairs Committee's Inquiry Report into police disciplinary and complaints procedures made no recommendations about police officers taking retirement to avoid disciplinary proceedings. However, it expressed concern about officers who go sick, which effectively halts disciplinary proceedings, and recommended that the regulations should be changed to enable chief officers to complete hearings in the absence of an accused officer. The Government accepted this recommendation". New police misconduct procedures, which incorporate this and a number of other changes, will come into force on 1 April 1999.

This will not satisfy the Hillsborough families nor the parents of Stephen Lawrence. Police officers should not be allowed to retire until all the facts of a case, such as that of Stephen Lawrence, have come to light and a full and independent inquiry has been held. And it is a travesty of justice that once retired a police officer cannot be called to account for his/her behaviour, particularly where it resulted in the deaths or jailing of innocent people. It is difficult to think of another occupation where this applies.

### A Waste of Energy?

The commitment to reduce 1990 greenhouse gas emission levels by 12 per cent by 2012 means that the

Concluded on p. 15



## NOW FOR THAT LABOUR GOVERNMENT

### Your Part In The Big Push

By HERBERT MORRISON, M. P. (Chairman of the National Campaign Committee of the Labour Party)

I want the Trade Unions to play their part in the Labour Party's great national campaign which we intend to carry us to victory at the next General Election. And I am sure the Trade Unions *will* play their part, for they have loyally made their contribution to every big Labour Party effort.

But I want more than that. I want every *individual* Trade Unionist to be active in the promotion and well-being of the Labour Party by attending our meetings, by becoming an individual member of the Party, by canvassing for new members, by distributing literature, and by regularly attending his or her Trade Union branch meeting and protecting the interests of the Labour Party as well as playing a full part in the consideration of the industrial matters that come before the branch.

**The health, the vigour, the progress of Trade Unionism depends not only upon the collective action of the Unions but upon the work of *each* Trade Unionist. And what is true of the Unions is true of the Labour Party itself.**

The Trade Unionist is a worker, and the first duty of his Union is to protect and promote the industrial interests of the membership. Whatever the political colour of the Government of the day that work must go on. It has the first claim.

The Trade Unionist, however, is not only a worker; like every other individual he is a consumer and a citizen. Fundamentally, therefore, the Labour Party appeals for his support not only as a worker and a trade Unionist, but as a member of the community having a duty to promote the collective well-being of the people as a whole and the peace of the world.

It is for these reasons that Trade Unions during the present century have widened their interests. Working through the Labour Party, they have promoted industrial and social legislation and made their contribution to the shaping of those policies calculated to make things better for the people at home and to promote the cause of peace among the nations of the world.

Similarly, as a consumer, the Trade Unionist is taking a closer and closer interest in the Co-operative Movement and in the furtherance of public policies which eliminate profiteering and keep down the level of prices. It is not only the *amount* of wages that matter to the worker. What the worker can *purchase* for those wages also matters.

The Immediate Programme of the Labour Party, for application during the full life-time of a Parliament with a Labour majority, has two purposes.

National ownership and control over a widening area of the nation's economic resources. Industry cannot really be planned in the public interest without public ownership coupled with efficient management.

Secondly, the programme includes proposals for immediate improvement in conditions of life.

Now we can pass programmes as a Party but we cannot implement them unless we get a working Labour majority in the House of Commons with the nation really behind us. This means a lot of work. We have got to make the millions understand; we have got to make them indignant with the social muddle and insistent upon social order. We have to enrol many more individual members of the Labour Party; to carry our message to millions of citizens; and to make more millions of Labour voters.

**All this we want to do before the next General Election, which cannot come later than 1940 and may well come earlier. It means a lot of work, but there is great joy in work that is animated by a great social ideal and having fine public aims.**

So will you please join the happy army of Labour Party fighters and workers? Offer your services to your local Labour Party. Push Labour Party ideas wherever you go. See that your Trade Union Branch plays its part and loyally supports the work of the Labour Party. (*The Record*, July 1937)

## Positive Thinking On Europe

Instead of leading from behind on Europe  
Max Anderson suggests that Tony Blair  
might take advice from Stuart Holland

Shortly before its demise—a Christmas present in some ways no less welcome than the demise of Peter Mandelson—*The European* printed an article by the man who advised Labour's last elected Prime Minister. Founded by Robert Maxwell, a Wilson-era Labour MP, to further the values of the French Revolution, *The European* had ended up under the control of Andrew Neil and furthering the values of Milton Friedman.

Amid the usual weekly round of editorials on the need for continentals to take Thatcherism to heart, there appeared a piece by Stuart Holland on the contrasting merits of Keynesianism in one continent. It was to advance this agenda, rather than to acquire a better class of housing, that Holland left British politics for Europe in 1989. An ally of Tony Benn, who described him as a 'great figure', and whose cause was much influenced by Holland's economic ideas, Holland is one of the leading intellectuals of the British left to have embraced Europe. Benn, noting his work with continental parties as well as the Democratic Socialists' Organising Committee in Washington, wrote that, "he would be a good Foreign Secretary, certainly better than David Owen was".

Whether this is saying much is a moot point, but Holland's vision of 'a people's Europe' is a much more concrete one than that advanced by the present Foreign Secretary. In an article which he published just after the 1992 ERM crisis, Holland debunked those on the left seeking to draw comfort from the resultant devaluation. He pointed out to Bryan Gould that "The response to global market mayhem cannot be simply national", and called instead for "an Alternative European Strategy that can realise the principles of Keynes and Beveridge in the new multinational environment".

This environment, in fact, is one which Holland's earlier work had anticipated. In *The Socialist Challenge* he argued that Labour's 1960s failure to achieve the goals set for it by Crosland and others was due in part to the fact that its Keynesian policies "were national in an era in which investment, trade and foreign exchange transactions were

already multinational". The trend has become an overwhelming one, and to a large extent lies behind the process which has resulted in monetary union. But, criticising "passive policies for EMU" in late 1992, Holland argued for "an active monetary and fiscal policy in the community". He wanted to see a minimum level of social expenditure exempted from the Maastricht budget deficit criteria, a lowering of VAT rates to stimulate growth, and co-ordinated cuts in member states' interest rates.

Preceding by a year the Delors White Paper on *Growth, Competitiveness and Employment* was Holland's report to the Commission, prepared at the President's behest and later published as *The European Imperative: Economic and Social cohesion in the 1990s*. It argued that, where the UK in the 1960s and France in the early 1980s had not been strong enough to escape deflationary policies, a joint European macro-economic policy might be able to do so. He called for the European Investment Fund to be expanded to offset the deflationary effects of the Maastricht criteria, a view which was soon echoed by leading French politicians of the left and right. These were isolated voices five years ago, Holland pointing out that "the wider political base...for more money to finance trans-European transport and information networks...does not exist".

With the election of an SPD-dominated German government, which is very much more sympathetic to French neo-Keynesianism than its predecessor, and profoundly pro-integrationist to boot, these ideas' time may have come. The German finance minister, Oskar Lafontaine, who has generated almost as much tabloid vitriol in Wapping and Downing Street as did Jacques Delors, is, like Holland, a strong believer in the virtues of international co-operation. Both also agree on the need "to get back to fairly stable rates of exchange...to inhibit speculation and once more enable rational economic decision-making". And there is little difference between them on the need for "the Europeanisation of politics and...of social and economic organisational

frameworks".

Where national Keynesians like Bryan Gould argue that monetary union removes the economic lever of devaluation, Holland points out that "multinational companies have little incentive to follow through devaluation with lower prices on foreign markets where they are already producing and selling. To do so would be to compete against themselves". Countering the monetarist claim that "Europeanisation represents an avoidance of fundamental and necessary reform", he argues that the adoption of flexible, post-Fordist production will do more for the efficiency and competitiveness of the European economy than exchange rate depreciation.

In Holland's view, EMU "would restore decisions on what is spent, why, how, when and by whom to elected representatives". It will give the lie to Mrs Thatcher's contention that you can't 'buck the market'. Greater global exchange-rate stability, a by-product of EMU, "could be the keystone for a review of the functioning of the Bretton Woods institutions". This, as most of the world's finance ministers now recognise, is sorely needed.

Holland's formula for Europeanisation, "to show that it pays to co-operate in a manner that empowers localities, regions and member states to do better together what they cannot do as well for themselves", may sound Blairite, but offers progressive policies rather than a smokescreen of vacuous waffle. Were Blairism concerned with the renewal of social democracy, it would have sought to rebuild the postwar social contract rather more energetically than has been the case. Holland's call for the re-emergence of that consensus at the European level involves the claim that "full employment is feasible provided it is part of a project for the economy and society as a whole, in a context of strengthened policies for economic and social cohesion".

When they announced their enforced departure from the Labour party, the Holland-collaborator Ken Coates and his fellow-MEP, Hugh Kerr, wrote that "the growing movement for a more democratic, more social and more united Europe...is the politics not of the past but of tomorrow". How sadly typical of New Labour that it should have failed to grasp this, and to advocate the policies that would bring it closer to reality. •



# That Darling Deal

David Morrison

In the past few months the Government has announced three sets of changes to the welfare system. These follow on from the welfare Green Paper published in the spring.

On 28th October, Alistair Darling announced changes to Incapacity Benefit and disability benefits (see Hansard Cols 339ff). Details of the proposed changes are contained in the Green Paper *Support for Disabled People*, Cmnd 4103. At the same time he announced the introduction of a "single gateway" to the benefits system (see *The Gateway To Work*, Cmnd 4102). These are reviewed below.

On 18th November, he announced major changes to the widow's benefit and the introduction of a widower's benefit (see Hansard Cols.939ff). Details of the proposed changes are contained in the Green Paper *Support In Bereavement*, Cmnd 4104. And on 15th December a Green Paper *Partnership In Pensions* (Cmnd 4179) was published (see Hansard, Cols 761ff).

## Everybody Must Work

New Labour are often accused of having no principles. That is not true. They have one: it is that everybody must work. Compared with them, Norman Tebbit was a moderate on the issue.

Never mind that there are a few million people looking for work at the moment and failing to find any, New Labour are determined to get more people into the labour market. Soon nobody will be able to claim any benefit without being interviewed to see if there isn't some way of getting them out to work.

First, it was lone parents. The New

Deal for lone parents offers them an interview with a personal advisor. Very few of them have taken up the offer. By April 2000 they will have to attend an interview if requested or lose their benefits. And what is good for lone parents is equally good for the sick and disabled and for widows with no dependant children. The only trouble is that by April 2000 there are likely to be even fewer jobs around than now.

Central to the business of getting people into work is the introduction of a "single gateway" to the benefits system and with it the assignment of a personal adviser to each claimant. Its role is described as follows in *The Gateway To Work*:

"This approach—the 'single gateway'—will bring together the Employment Service, Benefits Agency and other welfare providers at a single point of contact. All new claimants will have access to a personal adviser to guide them through their options.

"Our priority is to forge an entirely new culture which puts work first and is based on a modern, integrated, flexible service for all. This means a fundamental shift in the way we support our clients—away from merely asking 'What money can we pay you?' to 'How can we help you become more independent.

"A series of pilots will test out how to make the single gateway work. From June 1999, in four areas, people of working age who claim benefits will be able to access information on work, benefits, tax credits, training, housing and other government services in one place. They will be given a personal

adviser who will help them plan a route back to independence, while also ensuring that they receive the benefits to which they are entitled."

"Regulations already exist to ensure that recipients of Jobseeker's Allowance attend Jobcentres at certain times. They, of course, are required to be available for and actively seeking work. In introducing these changes, we will not be requiring other benefit claimants to follow a particular course of subsequent action, but we do believe it right and fair to ask them to take part in an interview as a condition of receiving benefit. Whereas claimants of Jobseeker's Allowance are required to sign a Jobseeker's Agreement, we will encourage—but not force—others to develop an action plan.

"Under these proposals, people would no longer be free to choose whether or not they take part in a personal adviser interview. We plan to use this provision initially in the single gateway pilot areas."

It is planned to make attendance at interview a condition of benefit in the pilot areas from April 2000. It is by no means certain that this requirement will ever be enforced nationally for all benefit claimants—since the resources required to do so would be enormous, with little reward in terms of getting people off benefit and into work.

## Abolition Of National Insurance

The other principle underlying New Labour's welfare changes is the eventual abolition of the National Insurance system. This is unstated lest opposition be provoked. And the process of abolition will be piecemeal: a narrowing of the

scope of National Insurance benefits here, a small deviation from the principle of universal National Insurance benefits there, all argued for on the grounds of giving the greatest help to those in the greatest need. And to reduce objections to a minimum, existing claimants are not affected. The changes apply to future claimants only. The name of the game is to save public expenditure by targeting benefit.

That is what has happened as regards Incapacity Benefit. Commenting on these changes to Incapacity Benefit on 1st November, *The Observer* said:

"On Wednesday, he [Darling] announced the end of the social insurance principle as a cornerstone of the welfare state, along with a reduction in a key benefit central to the living standards of millions. He sugared the pill with some well-directed extra spending, but we should be under no illusions. On Wednesday, Darling formally brought the curtain down on Labour's twentieth-century commitment to social democracy as a means to social justice, and entered the conservative domain of the welfare state as a means-tested, discretionary safety-net for the deserving poor. It was a pivotal moment in the life of this parliament."

It has been clear for some time that New Labour intended to abolish the National Insurance system. But on 28th October they announced the first concrete steps down that road. And at the end of the road all benefits will be paid out of taxation and means tested.

## Changes To Incapacity Benefit

Incapacity Benefit is paid to people who are unfit for work providing they have an appropriate National Insurance contribution record. It is paid at three different rates depending on how long the claimant has been on benefit and there are allowances for dependants on top. It is not means tested (but after 28 weeks it is taxable).

The Government proposes to change it in two major respects from April 2001:

(1) Qualifying contribution record Incapacity Benefit is paid to people who qualify on the basis of their National Insurance contribution record. This

includes both contributions actually paid when working and credits awarded for periods of unemployment. At present a claimant can receive Incapacity Benefit if he has credits for the past two tax years, providing he has worked, and paid a minimum amount of contributions, in any tax year.

The Government is going to change this so that, as for Jobseeker's Allowance, a minimum number of paid contributions is required in one of the last two tax years, rather than any tax year. In other words, people who haven't worked in the past two years will no longer be able claim Incapacity Benefit, even if they are unfit for work and will have to claim means tested Income Support instead.

## (2) Introduction of means testing

In the past Incapacity Benefit was not subject to any means test. Now, the Government proposes that if a claimant has an occupational or personal pension of over £50 a week, the amount paid in benefit will be reduced by 50p for every £1 of pension in excess of £50.

The Government is conscious that this flies in the face of its encouragement for personal pension provision. It attempts to justify its proposals by saying they will "introduce a fairer partnership between the State and employers, while continuing to encourage people to make their own provision and reward them for doing so, by allowing claimants to keep the whole of the first £50 of any weekly amount of occupational or personal pension but reducing Incapacity Benefit by 50p for every additional £1 they receive each week" (*Support For Disabled People*, page 10).

About £7.5 billion was spent on Incapacity Benefit in 1997/8. The savings expected from these measures is stated (page 23) to be about £0.1 billion in the first year, 2001/2, rising to £0.7 billion per year in the long term when existing claimants cease to claim (normally when they reach retirement age). It is not clear whether this takes into account the extra Income Support which will have to be paid out as a result of the changes.

## Background

The background to this is the large increase in people receiving Incapacity Benefit in the past 20 years. Today about 1.6 million people receive it, which is about three times the number receiving the equivalent benefits in 1980/81. A further 1 million people get other benefits (chiefly Income Support) or National Insurance credits on the grounds of incapacity for work. The overall total of those incapable of work, now over 2.6 million, has increased four-fold since 1977. Around 70% of recipients are men and over 70% of them are over 50.

It is well known that in the 1980s Conservative Governments, anxious to see unemployment figures reduced, were happy to see people move off the unemployment register and on to Invalidity Benefit. This suited the claimant also since he got more benefit. This happened particularly in areas which, prior to the Thatcher years, were dominated by heavy industry and which are now areas of persistently high unemployment. It is no secret that GPs, who then had the chief responsibility for determining fitness for work, were happy to stretch a point and certify men in their 50s and 60s as unfit for work when there was little or no prospect of them getting work.

In 1995 the last Government, alarmed at the numbers claiming Incapacity Benefit, introduced a new test for fitness for work, the so-called All Work Test. Before 1995, unfitness for work was certified by a claimant's own GP, subject to an occasional independent medical examination, and what was at issue was a claimant's ability to work at his previous occupation (referred to as the Own Occupation Test). This test is still applied to the first 28 weeks of incapacity but from then on the All Work Test applies and the GP's certification is no longer sufficient.

The All Work Test is meant to test a claimant's ability to do any work rather than the work they used to do. Claimants are required to tick boxes on a form to specify their degrees of impairment in various areas of activity, for example, walking, sitting or bending, and their scores in each area of activity are added up to give a total score. If this is 15 or more, then a claimant is deemed unfit for



work. An Adjudication Officer may make this judgement from the form alone together with a GP's diagnosis of a claimant's problems. Alternatively, the test may be applied by an independent medical examiner witnessing the claimant attempt the various tasks.

The introduction of the All Work Test doesn't appear to have had much effect on the numbers deemed unfit for work. So this Government has taken more drastic measures to get people off Incapacity Benefit—it has changed dramatically the contribution record required to qualify for it

However, the Government is not happy with the All Work Test—it discourages work, would you believe:

"The very name All Work Test puts out the wrong messages, implying that those who pass the test are incapable of all, or any, work. Many people could do some work with the right help and rehabilitation: instead, they are spending a lifetime on benefit.

"The current test focuses exclusively on what people cannot do and provides no assessment of, or information about, the capacities and abilities of people with long-term illness or disability. Passing the All Work Test implies that a person can never again do any work and failing it implies that they are perfectly fit for work. Neither is necessarily true. Capacity and incapacity form a continuum and a modern benefits system needs to take more account of people's individual needs and abilities."

"Under the present system, people who pass the All Work Test are consigned to a life on benefit with no further intervention except for occasional checks that their level of incapacity remains the same. No one of working age should be cut off from the labour market in this way." (*Support for The Disabled*, page 16/7)

Nevertheless, the All Work Test is to remain as the gateway to benefit and it will be up to personal advisers to see what can be done to get claimants back into the labour market.

#### Political Response

When Darling announced his

proposals to the House of Commons, he had a very easy ride. The fact that the changes to Incapacity Benefit infringe the principles of the National Insurance system was barely mentioned. No Labour or Liberal MP mentioned it at all. Iain Duncan Smith, the Conservative spokesman on Social Services, made a passing reference to it in an otherwise incoherent response. He tentatively suggested that New Labour "are beginning to attack the contributory principle", a remark which Darling ignored. However, the remark did provoke the Chancellor, Gordon Brown, who was sitting on the front bench alongside Darling, to say that he would "abolish" the contributory principle.

It was left to the Conservative MP, Quentin Davies, to ask a serious question about it:

"The Secretary of State studiously—many people will think, disingenuously avoided the phrases 'means test' or 'benefit reduction'. Does the right hon. Gentleman agree, however, that, if incapacity benefit above £50 is means tested in future, first, a lot of future claimants will lose incapacity benefit to which they were entitled, and for which they believe they have paid through their national insurance contributions; and, secondly, the Government will once again have delivered a major blow to the principle of the national insurance system? We get a blow to the system about once a month. Why do not the Government come clean and say that their real agenda is to erode the contributory principle and the national insurance system and, ultimately, to destroy it altogether?"

Darling's response was to point out that, "the national insurance system and entitlement to contributory benefits were changed on the odd occasion" during the 18 Conservative years, which is true. In particular, the Conservatives reduced the period of unemployment benefit from 12 months to 6 months. Darling then invited the opposition to oppose the means testing and chided them for going on about welfare reform without having anything coherent to offer. He ended by saying: "I am only sorry that at no time in the last hour have we heard a word from Conservative Members as to what they would do to reform and improve the

benefit system."

That is well merited. It is true that some Conservatives have muttered about the contributory principle on a few occasions of late and one or two have even been expressed a preference for universal benefits over means testing. But since they continue to attack the government for not being radical enough on welfare reform, in other words, for not saving enough money, it is highly unlikely that they are going to mount a coherent defence of the contributory principle and universal benefits against the assaults of New Labour. Cutting public expenditure on welfare is the priority for both of them. And the only way to do that is by the extension of means testing.

(I wrote to Iain Duncan Smith in an effort to ascertain the Conservative position on the National Insurance system. The only definite statement he made in reply was that "the Opposition have pledged not to means test the basic state pension". His reply mentioned Gordon Brown's pledge to "abolish" the contributory principle—see above—which appears in Hansard only as an interruption. I also wrote to a Liberal spokesman on Social Services but I am no wiser about Liberal policy after receiving his reply.)

#### Disability Benefits

A year ago judging by the sound of the rhetoric coming from the Government, one might have supposed that disability benefits were also under threat. But a few cans of red paint in Downing Street have put paid to that. The Government has realised that being mean to the disabled is indefensible. The word "disabled" conjures up pictures of people in wheel chairs whom the state must look after, unlike recipients of Incapacity Benefit who are often regarded as fakers and scroungers. This goes a long way to explain why Incapacity Benefit was cut and disability benefits have been marginally improved.

Here we are talking mainly about Disability Living Allowance (DLA) and Attendance Allowance (AA), which is paid to help with the extra costs of disability. They are non-contributory benefits which are neither means-tested nor taxable. Although entitlement is

assessed according to problems with care or mobility, the benefit is paid in cash (at various rates depending on levels of disability) and recipients are free to spend the money according to their own needs and priorities. DLA is for people whose disability arose before the age of 65. It may well be paid on top of Incapacity Benefit.

Before they left office, the Conservatives came to the conclusion that DLA and AA (which together cost about £7.5 billion in 1997/8) were being paid to large numbers of people who weren't entitled to them and they introduced the so-called Benefit Integrity Project to re-examine claims. This was modified by New Labour when they came into office and has now been dropped. The Green Paper is very circumspect about suggestions of overclaiming and there is no mention at all of fraudulent claiming, which is strange given that a year ago welfare fraud was said to be widespread. It is even suggested that some people may be missing out on these benefits.

Overall welfare spending on incapacity and disability stood at £24 billion in 1997/8. Far from expecting this to decline, the Green Paper predicts a rise in real terms. It says: "Over the coming years, new needs will emerge and the Government must be ready to meet those needs. Spending on benefits for people with a long-term illness or disability will continue to rise, in real terms, as more people claim benefits to which they are entitled. The Government is committed to meeting that rising demand, and to doing more for those in greatest need." (page 10)

This is surprising given all the rhetoric about getting people into work and saving on benefit.

#### America fathered the euro

Reprinted from *Prospect*, Jan 1999

"It is too easily forgotten that one of the main inspirations behind the euro was the resentment felt by most of Europe over the US's misuse of the dollar's supremacy in the global financial system. The story begins with the Tet offensive in that extraordinary spring of 1968. The Vietnam war was creating balance of payments trouble for the US, which it met by exporting dollars to Europe. The Tet offensive delivered a serious blow to US arms, and led to President Johnson's

decision not to seek re-election. He also refused to deepen US opposition to the war by raising taxes to pay for it. Thus, the rising cost of the war led to a federal budget deficit of US\$24.2 billion in 1968, more than the total deficits of the previous five years.

"Europeans felt that they were financing US budget deficits and suffering the consequences of the export of US inflation, while at the same time seeing their companies bought up by the export of US capital.

"Charles de Gaulle's response was to send the dollars back to the US and demand gold in return...

"By undermining the strategic loyalty of its European partners through abuse of the dollar in the period 1968-73, and again from 1979-82, and from 1985-89, the US government is the true father of the euro. From the start Europeans saw the euro not only as a means to build Europe, but also as a defensive measure against the dollar's disruptions...

"The real cost to the US will be that the progressive loss of its unique status as a reserve currency will mean less and less power to abuse its position. The US will no longer be able to devalue painlessly, by printing and exporting dollars into the Eurodollar market. It will no longer be able to bully its partners in Europe and Japan into revaluations to help the US balance of payments, as it did in 1969 and 1985-87. It will no longer enjoy sole status as a safe haven currency in times of unrest. It will have to compete for this role with the euro, at a time when the importance of Euroland as a market and as an exporter will require many countries and corporations to hold euros for routine trading.

"The more stable the euros proves to be, the more the dollar will be required to show similarly sound stewardship."

#### Newsnotes included from p. 4

or Fascism or Islam or whatever. These may indeed get rid of corruption. Along with a lot else, including what many people would see as fundamental freedoms. The Nazis were quite successful in imposing 'family values'—banning pornography and contraception, criminalising abortion, eliminating Germany's previous marginal toleration of homosexuals (with special exceptions for their own people). No such zealots are operating in today's Europe. But the Tory Britano-Narcissists attacking the European Commission are part of a party which presided over a growth of corruption and sleaze during their own period of unprecedented power. Should we bring in consultants from Britain's Department of Trade and Industry? Or the Serious Fraud Office? The Tories are blaming the Commission for failing

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Government will be seeking to increase the contribution of non-polluting energy sources, such as wave, wind and solar power, to our electricity needs. At present about 2 per cent of electricity comes from renewables, mostly from large-scale hydro-electric power. The Energy Minister John Battle told MPs on 18th January that, "NFFO Orders already laid or in train will add a further 3 per cent by around 2002 or 2003. The challenge is to move from about 5 per cent in 2003 to 10 per cent by 2010".

Reducing pollution can, however, be achieved not only by increasing the contribution from renewable energy sources, but also by undertaking a nationwide building and home insulation programme and by cutting drastically the number of journeys made by car. The government have proposals in hand to deal with the latter, but so far there is no sign of a comprehensive insulation programme. If the government is really serious about its Kyoto targets and at the same time wants to tackle fuel poverty and reduce its benefits bill, it should put resources into a programme.

#### Correction

In the last Parliamentary Diary, under the subheading Fag Ends, the dates for the ending of tobacco sponsorship should have read 2003 and 2006 and not 2006 and 2000, as printed.

to do what they themselves never managed. These are the people who are sure they can improve Europe by attacking its existing institutions—which are not in fact particular corrupt, inefficient or bureaucratic. Compared with other institutions of a similar size, they are really quite clean. Given the vast differences in national tradition that must be bridged, the degree of success is impressive.

#### Weaving the Web.

The Bevin Society web site, with some past articles that remain of interest, can be found at <http://members.aol.com/BevinSoc/is.htm>.



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looked in on it, it was being addressed by Gordon Marsden M.P. and he was raising a very interesting question. Why, he asked, did the Anti-Corn Law League succeed and the Chartist movement fail? It is a question that is very much to the point of things today. We had never heard it posed before, and unfortunately Mr Marsden made no attempt to answer it.

We gathered that this meeting was celebrating 150 years of Radicalism, but were not quite clear about what the seminal Radical event was. An event with far-reaching consequences was the Repeal of the Corn Laws. The 1832 Franchise Reform changed Parliament from an aristocratic oligarchy to a middle class democracy. The ideal of the middle class Radicalism which raged after 1832 was *laissez faire* utilitarianism—what we know as Thatcherism.

The belief of the reformers was that universal harmony would result from the free conflict of egoisms on a universal basis. Many of the Radical Reformers had protested against the Combination Laws against Trade Unions before 1832, but they were themselves opposed to Trade Unions in principle. It was their belief that with the dismantling of aristocratic privilege, and the establishment of a legal framework for the free conflict of individual egos, universal harmony would arise and trade unions would wither away.

(We can hear an absurd echo of that primitive Radicalism today in the absurd campaign against the virtually powerless House of Lords, and particularly in Margaret Beckett's venomous tirades against it).

But general harmony was not generated by Radical *laissez faire*. The liberation of capitalism and the stringent welfare reform (the drastic tightening of the Poor Law system for the purpose of enhancing labour motivation) led to a general worsening of conditions of life for the mass of the people and an intensification of social conflict to a degree never before seen. Acute American observers of the time expected England to blow apart under this build-up of pressure.

What happened instead was the Repeal of the Corn Laws. The great middle class agitation, which carried the working class along with it, was the Anti-Corn Law League.

The Peel Tories gave in to the radical agitation in 1847 and abolished the protective barrier against corn imports. (The Irish famine was used as an excuse for that Tory U-turn, but agricultural free trade was at best an irrelevance to the Irish situation and the Irish continued to starve.)

Free import of corn seems much too slight a measure to explain why England did not blow apart in the 1840s. It is a kind of shorthand for a complex of events. Through agricultural free trade, capitalist England got the world to supply cheap food to its workers. It was able to do this because it was the strongest manufacturing power in the world and also the strongest military power; it had an extensive Empire scattered around the world, and it was adept at applying military force for commercial purposes in a state of moral high-mindedness.

Coinciding more or less with the Repeal of the Corn Laws Britain launched a free trade war against China. There was a strong British demand for elegant Chinese goods but virtually no Chinese demand for the products of early Victorian capitalist manufacture. But British merchants in India found that there was a demand in China for opium. The Chinese government intervened, however, and banned opium imports. The British government, with the greatest of all Liberal idealogues, T. B. Macaulay, as Minister for War, made war on China to compel it to allow opium imports. And China was compelled to pay war reparations and concede to Britain the slice of its territory that became known as Hong Kong. It never expressed regret over all the innocent Chinese it killed in that war, and in later wars, some of which were again fought over opium.

About sixty years after that, at the beginning of the present century, it waged a little-known war against Tibet. Again the object was trade. The Tibetans were not a great trading people, but after Britain had killed a few hundred of them they agreed to sign a Treaty opening trade relations.

Britannia ruled the waves. It dominated the world's oceans. It could place an army anywhere it wanted to, except perhaps on the shores of the Black Sea. It used this power to extend the world market for its manufactures, and on top of this it wove a financial system.

These were the conditions under which Britain, by repealing its own agricultural protection laws, got the

world to feed its workers cheaply. And that is why the Chartist movement withered away after the Corn Law repeal.

That, and the drawing off of energetic elements of the lower classes into Imperial ventures of various kinds. It has been estimated that a million Britons emigrated in the century after 1840. And it was almost entirely an imperialistic emigration, and led to the construction of what, around 1900, was known as Greater Britain—Britain abroad, which had a grip on the greater part of the world.

Blair says he will not apologise for the British Empire, or consider making recompense for anything that it did. It is for other, inferior, Empires to do that—Empires that did not manage to hold it all together. Defeat is shameful and it is only right that the defeated should express remorse and repent.

Despite the dismantling of colonial structures, there is very substantial British continuity from the Opium Wars to the present day. Britain still lives very well off the world, by military and financial means, and social conflict is ameliorated thereby.

The New Labour innovation in that respect is that it has consigned to the rubbish-bin the element of bad conscience about the British position in the world that the socialists of Old Labour had worked up.

The Liberal Imperialists over-reached themselves by making war on Germany in 1914. It was as a consequence of that over-reaching that the mistake (as Blair sees it) of the emergence of a Labour Party with a socialist programme as the second party in the state came about. His aim is essentially to reconstitute the Liberal Imperialism of Lloyd George, Asquith and Haldane as it was before their three-way split. What is there to stop him, now that Blunkett, Beckett, etc., have given up the last vestiges of their Utopian dream?

N. B.

The Labour & Trade Union review is entirely dependent on subscriptions and sales for its continued existence. It is on sale in London in Dillon's, The Economist's Bookshop, and Housman's at King's Cross. It is also obtainable at Books Upstairs, Dublin and in Eason's, Botanic Avenue, Belfast.