

LIAM BYRNE MP

Power to Change Capitalism for Good: The IPPR's Economic Justice Commission

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Check against delivery

Thank you Mr Speaker

It is a pleasure to serve under your chairmanship.

I beg to move the motion in my name and I hope you will forgive me the beginning with a short hymn of praise to the Archbishop of Canterbury.

It was at his behest that I and others founded the All-Party Parliamentary Group on Inclusive Growth, which I chair and in which I declare my interest today.

It was His Grace who helped inspire and mobilise the Economic Justice Commission which I congratulate on a seminal report.

Tom Kibasi and Michael Jacobs and the entire team of commissioners deserve our gratitude for sharing with us, in detail, a blueprint reconnecting wealth creation and social justice.

This is, of course, a moral mission.

In his incredible speech to the APPG, Justin Welby reminded us that Jesus was a wealth creator. "Jesus worked for his living and created wealth for ninety percent of his life." But He is unlikely to be much impressed by a country growing both the number of billionaires and the lines at our food banks. For, as the Archbishop went on, "the foundations of a Good Economy are given in the nature of human beings: creativity, gratuity, solidarity and subsidiarity".

And we don't have much of that today. Not just here but around the world.

Branko Milanovic, in his extraordinary book *Global Inequality*, lays out the reality of just what has happened in the last 20 years. 44% of the total increase in real wealth has gone to the top 5%.

Here in Britain, Oxfam tell us, the richest one percent of the UK population own more than 20 times more wealth than the poorest 20 percent combined.

And on the streets of my constituency, amongst the homeless, amongst the hungry amongst the young people in despair, amongst the disabled struggling for their social

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security, I see, feel and share pain. Pain which should not exist in the fifth richest country in the world.

But the point of this report is not to kick off a slanging match.

Its aim is to kindle a peace-match, an adult conversation that might one day grow into a cross-party consensus.

So, in that spirit, I want to begin with some self-criticism about the past to steer us in the future.

We achieved many fine things between 1997 and 2010.

But with a lead that was greater than Attlee's we left a legacy that was considerably less.

In power, we failed to tame and reform capitalism and bend it to the people's purposes. In future, we must do better.

There was, of course, the tragic scar of errors in Iraq. We rolled forward public finance instead of reinvigorating a new public ethos.

Our party was too top down when we should have renewed bottom up.

And that, in part, explained why we acquiesced in too much financial engineering and not enough real engineering.

In the face of the China shock - after China was admitted to the WTO - and European expansion after the Berlin Wall came down, we let too many communities deindustrialise.

Yes, we created jobs; but we did not create enough good jobs. So former manufacturing powerhouses like Burnley, or Barnsley fared much worse than, say, Berlin or Beijing which took a different path. We allowed too much globalisation without compensation.

In that spirit of self-reflection, I hope ministers accept that we cannot go on with today's economic muddle when what we need is to agree a new economic model.

Today we face a triple curse.

GROWTH is too slow. Amongst the slowest in the G7. The 'new normal' growth is well behind anything we achieved in office.

Productivity is too **WEAK**. In fact, it's slower than the late 1970's when we used to call it 'British disease'.

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And **WAGES** are much, much, much too unfair. We face now the biggest squeeze on wages since the days of Dickens.

Ministers need to confront what capitalism has become.

In the workplace, our workers face a smaller and smaller group of 'Technopolies', created by the \$20 trillion merger wave of the last 30 years. These companies drive world trade. They dominate world technology. And they use the power of technology and trade, automation and outsourcing, to bid down wages.

This is why we need a new model.

We failed to create what the IPPR calls, in its seminal report on Economic Justice, 'a new economic constitution'. But this is what Britain needs today.

The linchpin is a 'mission-oriented' industrial strategy focused on boosting our industrial base and exports.

The government will tell us this afternoon that it has one. But it is nothing compared to China's \$300 billion 'Made in China' program. Or Narendra Modi's 'Made in India' program. Or Japan's Softbank fund worth some \$100 billion.

Our industrial strategy needs finance on a wholly new scale, using new fiscal rules to drive up public investment by an extra £15 billion a year; a £200 billion national investment bank with strong regional banks on the ground, coordinated by four new Economic Executives for England tasked with ending regional imbalances in what's billed as a new 'economic constitution'.

And the Bank of England's mandate should change to include goals to keep genuine unemployment and underemployment low – and house prices down.

To rewrite the rules of the labour market, the commission proposes a real £10.20 minimum wage, set 20% higher for anyone on a zero-hours contract, with New Zealand-style 'rights of access' for trade unions, crystal-clear rights to join a union and trials of auto-enrolment in unions for workers in the gig economy.

In the boardroom, we should finally privilege those with a genuinely long-term perspective – aka workers – by putting workers on boards (at least two on every company with more than 250 staff) and remuneration committees, while changing company law to enshrine both a long-term view and a duty to all stakeholders.

In the capital market, new fiduciary duties are proposed for asset managers and priority rights for long term investors. New tests for takeovers are suggested plus crucial reform of competition law which introduces a new public interest test to check today's uncontrolled Technopolies carving up the digital marketplace.

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Finally, to ensure wealth is genuinely shared, a £186 billion Citizens Wealth Fund is proposed with payouts to help young people plus a total overhaul of the tax system with German-style formula-based calculations of income tax and equalisation of income and capital gains tax rates, and a slew of new wealth taxes.

Let me conclude with this. A reminder of how much is at stake.

Already, the richest 1% command around 50% of global wealth – £140 trillion. But my research suggests that if nothing changes and the richest 1% pile up wealth at the rate seen since the financial crash, by 2030, their wealth-pile rises to two-thirds of global wealth - an extraordinary £217 trillion – bigger than the combined economies of most of the G20. Equality will become beyond reach in the 21st century.

Helping drive this shift will not simply be incomes at the top; but incomes at the bottom, especially amongst Britain's working class, where rising automation is likely to hit some groups hard - harder in fact than others. My research shows that amongst the bottom 25% of the jobs market, (under £9/ hour), 2,128,000 jobs are at high risk of automation - that's about a quarter of low paid jobs and five times more than the jobs lost by the shutdown of the coal and steel industry put together.

Are we prepared to stand by and watch this happen? We cannot. We will not. Here we have ideas. It's time to turn these ideas into action.