

In the face of apocalypse, heed not horsemen's advice

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A remarkable 10,000 people marched on Trafalgar Square at the weekend to hold the government to its promise to end child poverty. Planned long ago, its message was suddenly more poignant as government revenues shrink and bank-rolling banks takes top priority. As all these parents and prams marched past the Treasury, the irony will not have been lost on many inside. The poverty of people like these is directly to blame for the day of reckoning now thundering in on us all. Who caused this crash? People too poor to pay their rent, let alone mortgages, people in mobile homes whose imaginary income streams were securitised into the toxic products that now choke the arteries of banks.

An 8% stockmarket fall was a terrifying spectacle for the new National Economic Council - the war cabinet - meeting for the first time yesterday, but let's not forget the awful poetic justice being played out here. It is the extremes of inequality in the west's most unequal countries that set off this nuclear explosion. Gargantuan bonuses in Wall Street and the City were earned from creating fairy money, imagined to be owned by people too poor to pay anything at all. If the poor had more money, it wouldn't have happened. If mega-bonuses had not inflated share prices and borrowing beyond reason, fantasy capitalism would have been avoided.

In the boom decade, defenders of the hyper-rich said there was no connection between earnings at the top and at the bottom. Top City earners, interviewed for my book *Unjust Rewards*, were breathtaking in their certainty that they were creating wealth for all. They were sure their own hermetically sealed world neither impacted on anyone else nor was vulnerable to anyone else: all criticism was envy or communism. Now they are taking everyone down with them, putting pensions, jobs and homes in peril for millions.

There is, however, no sign of remorse. Sir Martin Sorrell just moved the tax domicile of his WPP advertising colossus to Dublin to avoid British taxes. He will not be moving there himself, nor will many staff. He prefers London, just as he likes a British knighthood. The company is now incorporated in Jersey, which has no corporation tax, and has a tax residence in Ireland. So is he the object of official criticism? On the contrary, he has just been appointed as chair of Boris Johnson's international business advisory council to encourage companies to locate in London. After a six-hour meeting of the council's 35 company chairmen, Johnson emerged to warn that other enterprises might move overseas, "where they feel tax demands are fairer".

But whose fairness? Gordon Brown says from now on, fairness will be his defining mission: he has another chance this week to start all over again, as he says again it's time for change. Parliament has returned after a long summer to a changed world with worst-case possibilities of horrendous proportions. Just-in-time food delivery, paid for with what? If banks stop paying, just as they have stopped lending, nationalising the entire banking system for a while is no longer absurd. Unlikely? Yes, but it's the kind of possibility all governments are staring in the face. The question is whether this government can shape the changed landscape and frame the language of this moment.

Brown has this last opportunity to send the right signals, to indicate that the future needs to be done differently. It is not altogether reassuring that Brown, like Johnson, has appointed an advisory council of all the masters of the universe who brought this Armageddon on us, to help get us out of it. He has put them in a strong position to resist the necessary radical reforms. Just as finance houses need an entirely different cadre of people as non-executives on their boards to end the disastrous era of insiders overseeing one another, so the government needs to turn to other advisers to clean up the City and end performance-related pay. Who needs extra just to do their job?

Peter Mandelson may choke on a recantation of his famous "relaxed about the filthy rich" remark, but he should remember his off-forgotten rider - "so long as they pay their taxes". If Brown means fairness, a royal commission on tax needs to reform the gross injustice of who pays what: it will be felt more bitterly in the bad days ahead. The rich pay least, the poor most, so take from the top to lift the low-paid out of tax altogether. Tax breaks for the wealthy are far too generous, and a land value tax would prevent another property bubble. The rich disguise earnings as capital gains, so income tax and CGT need to be aligned again. Council tax is regressive, unfair and hated. Sadly international action now seems remote, but Britain has the power to close down the many tax havens it administers: days of turning a blind eye to offshore activities are over. (De Gaulle turned off Monaco's water to get his way.)

No honours should go to anyone who has not paid fair taxes in Britain: the culture of tax avoidance has to change, and shame is a powerful weapon. Goodness knows how bad things will get, but a government that stands for transparent fairness has a better chance of surviving the wrath of millions who may be about to suffer greatly. And if well-pensioned top public servants seem feather-bedded when others lose their jobs, stop any of them earning above the prime minister's £189,000.

Brendan Barber called yesterday for the misery to be shared fairly. The minimum wage has just gone up to £5.72, which for the second year running is a real-terms cut, rising by less than inflation and well below the living wage of £7.45. Pay has barely risen for 80% of people in three years, while for a third of families incomes have fallen for five years. When unemployment bites harder, everything changes.

Yesterday Help the Aged and Friends of the Earth took the government to court for failing to implement its act of 2000 binding it to cut numbers living in fuel poverty": this winter five million are expected to be unable to afford their bills. It is admirable that the government set its fuel poverty target in law, and it's even more admirable that Brown now promises to make his child poverty target legally binding too. But the danger is always that in bad times the poor go to the back of the queue while the rich are appeased.

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