Rethinking Poverty

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The June 2016 referendum on whether to leave or remain in the European Union exposed the divisions in British society. Among various fault lines – political, demographic, social and economic – the starkest revelation was the collapse of trust between the political class and the people. Trust is the most basic building block of society and without it, it is almost impossible to move forward. For many, the decision to leave the European Union was a wake-up call to examine the state of British society. That is what this chapter sets out to do.

A deepening gloom

The gloom that descended on people and organisations concerned about social developments caused by the 2008 financial crisis, and made worse through austerity policies, has now reached crisis point. Hardly a week goes by without a report telling us how bad poverty is.¹ Topics include the growth in homelessness, the use of foodbanks, cuts to public services, falling wage rates, the record numbers of the working poor, the plight of refugees, and the likely rise in child poverty rates over the next five years. In the background, there is the sense of a deeply divided society where inequality has reached unsustainable proportions.
The continual barrage of bad news is itself another form of social malaise. The Trust asked Michael Orton of Compass to consider the theme of insecurity and his report, *Something's not right*, was published in 2015.\(^2\) Having reviewed the evidence on social attitudes, housing, work, finances and health, he concluded that the UK is an insecure society in which ‘fragmentation, discontinuity and inconsequentiality create a sense of flux, rather than solidity, and temporariness dependent on short term utility not permanence’.

Orton found that insecurity extends beyond people who have trouble making ends meet and permeates society.

The Trust also asked Neil McInroy to review evidence from the work of the Centre for Local Economic Strategies. In his report he notes:

In my 25 years of working in the field of local economic development and regeneration, the situation has probably never been as bad. With little appetite for greater use of redistribution and/or re-mobilisation of the national welfare state or targeted social policy, we are left with an inadequate general rising economic tide to solve the scourge of poverty.\(^3\)

The crisis has been a long time coming. While many of us were surprised by the result of the referendum, perhaps we shouldn’t have been. A succession of reports – notably Brian Robson’s 1994 forensic review of the limitations of area-based regeneration policies\(^4\) – has highlighted the ineffectiveness of government policies in building a social infrastructure that would create a sense of common purpose and ensure the fruits of growth are shared fairly. A 2005 report based on interviews with directors of 15 leading charitable foundations suggested that they felt powerless in the face of continuing poverty, rising inequality, falling social capital and the rise of political extremism.\(^5\) More recent reports suggest that the situation has become hopeless. John Harris, who has spent much of the past six years interviewing people from all over the UK, has noted that ‘we are living in a country so imbalanced that it has effectively fallen over’.\(^6\) George Monbiot has recently written of the ‘13 impossible crises that humanity faces’.\(^7\)
The progress paradox

While acknowledging these problems, we need to heed the ‘progress paradox’ – a correlation between progress and pessimism. Peter Kellner, formerly president of polling company YouGov, notes how prosperity and pessimism tend to go hand in hand:

The official statistics are clear. Our generation is better off, safer and destined to live longer than our parents’ generation – and probably than any preceding generation. True, living standards in Britain and many other countries have stalled in the past few years, but this doesn’t invalidate the larger truth.\(^8\)

Larry Elliot writes in *The Guardian* of 21 April 2014:

Britain is a richer, healthier, better educated and more tolerant country than it was 70–odd years ago. Life expectancy has risen by well over a decade; university education is no longer for a tiny elite; incomes adjusted for inflation are four times higher than they were at the end of the second world war; the number of people in owner-occupation has more than doubled; people no longer live in homes without baths and inside toilets.\(^9\)

Statistics show that median equivalised household income has more than doubled since 1977 so that today’s experience of relative poverty is very different from that of 40 years ago.\(^10\) In *The progress paradox*, Gregg Easterbrook draws upon three decades of wide-ranging research to show that almost all aspects of Western life have vastly improved in the past century – and yet today most people feel that little progress has been made.\(^11\)

Part of the explanation for this is ‘negativity bias’. Threats have a greater effect on our psychological state than do neutral or positive things.\(^12\) This bias makes it hard to reach balanced conclusions, and particularly to acknowledge progress. In *Future perfect*, Steven Johnson comments on newspapers’ tendency to lead with bad news. This
‘might be a good strategy for selling papers, but it necessarily skews our collective sense of how well we are doing as a society. We hear about every threat or catastrophe, but the stories of genuine progress get relegated to the back pages, if they run at all’.13 Journalist Simon Jenkins has suggested that a Martian tuning into a radio broadcast would assume that Britain is a failed state.14

An earlier Trust publication, *The society we want*, showed that a negative outlook is a recipe for failure when it comes to social development. To make progress, we need a balanced assessment of both the assets and the deficits of our society. The next sections look systematically at our position in respect of four important variables that affect a good society: the economy, the public sector, civil society and poverty.

**The economy**

We live in a rich country. In terms of assets, Britain is the fifth richest country in the world behind the US, China, Japan and Germany.15 In terms of gross domestic product (GDP), the UK has the fifth largest national economy in the world.16 The service sector dominates the economy, contributing around 78 per cent of GDP. The financial services industry is particularly important, and London is the world’s largest financial centre.

All governments since the Second World War have pursued growth as a key part of their economic strategy. In public speeches, our last three prime ministers have all stressed the importance of growth. At the 1994 party conference, when Gordon Brown was shadow chancellor of the exchequer, he set out Labour’s approach: ‘Labour will create the virtuous circle of investment, growth and improvements in our health and public services.’17 David Cameron said that ‘growth was vital’ and his government had an ‘incredibly active’ growth strategy.18 Theresa May stresses that driving growth ‘up and down the country – from rural areas to our great cities’ will be a priority, with a focus on ‘rewarding hard-working people with higher wages’.19
Despite growth, the economy is commonly regarded as fragile. The UK has the worst recent productivity record of any G7 country bar Italy. The balance of payments deficit is 7 per cent of GDP and the budget deficit 4 per cent of GDP. The Office of Budget Responsibility estimates the total public sector debt at £1.6 trillion while predicting it will rise to £1.7 trillion by 2020. A Trades Union Congress (TUC) report has found that unsecured household debt (including consumer credit and student loans, but excluding mortgages) rose to £319 billion in the third quarter of 2015 – a record high, and well above the 2008 total of £290 billion just before the financial crisis.

Fears that the 2008 financial crisis will recur are never far from the surface. At Davos in 2016, William White, chair of the OECD’s review committee, warned that ‘debts have continued to build up over the past eight years and they have reached such levels in every part of the world that they have become a potent cause for mischief’.

Growing inequality presents a further risk. Christine Lagarde, managing director of the International Monetary Fund, has long suggested that the gap between rich and poor could have ‘tragic’ consequences for the global economy, and it is a recurring agenda item for the World Economic Forum. In the UK, financial journalist Stewart Lansley sees the main causes of inequality as the worship of shareholder value, the deregulation of banking, the bonus culture, the disappearance of middle-income jobs, the consumption culture, growing levels of debt and the housing bubble. He concludes, as others have done, that current levels of inequality are unsustainable and have done untold damage to our economic prospects.

One of the most pernicious signs of inequality is a labour market that offers lavish rewards to people at the top while leaving many other people struggling. The High Pay Centre notes that the median pay of a chief executive of a FTSE100 company in 2015 was almost £4 million, while the median pay for the working population was £28,000. The Trust supported the Child Poverty Action Group (CPAG) to develop a project called ‘Britain at work’. Their report draws attention to the issues of stagnant or falling wages, rising prices, use of zero-hours, short-term or temporary contracts, self-employment, the impact of
automation, tax credit cuts and universal credit work incentives. Added to this, the International Labour Office in Geneva notes that (in Europe as a whole) ‘labour protection has generally decreased since 2008 when the global financial crisis started’.26 This has led to the development of a ‘precariat’, people in low-paid, low-status, insecure jobs with few prospects, combined with an economy that has become increasingly informal.27 This ‘precariat’ has grown rapidly over the past decade, with one TUC estimate suggesting one worker in ten is part of it.28 It’s particularly prevalent among young people. Resolution Foundation research shows that 77 per cent of 16–20 year olds were in low-paid jobs in 2015, up from 58 per cent in 1990; while the corresponding figures for 21–25 year olds were 40 per cent in 2015 and 22 per cent in 1990.29 The Resolution Foundation also predicts that people in the bottom third of the income distribution will see their real incomes fall in the years ahead.30

The consequences for society are serious because, as the CPAG study shows, our experience of work is a key determinant of our health and happiness. Participatory research has shown that five factors make for good jobs: sufficient pay, job security, paid holidays/sick leave, a safe working environment and supportive line management.31 According to the British Attitudes Survey, while 92 per cent of people think that job security is either important or very important, only around two-thirds of workers, 65 per cent, feel that they have this in their job.32

Suggestions for addressing this include creating more interesting jobs, developing a basic citizens’ income and planning for leisure. Others have suggested investment in community cooperatives and social enterprises as a way of ensuring fairer distribution of resources. Ed Mayo, secretary general of Co-operatives UK, says: ‘we need to ensure what develops is an economy that works for everyone. The co-operative sector, which is giving people a say over their work, shops and local areas is looking strong for the future and points the way’.33 Although the cooperative sector is one of the fast-growing segments of the economy, alternative approaches to society and the economy have made little headway because of the obsession with economic
growth. This obsession notwithstanding, there are good reasons to think it may soon have to be abandoned.

Moreover, we have to face the fact of the limits of growth. In 2014 *The Guardian* quoted fund manager Jeremy Grantham in its Sustainable Business section: ‘People simply do not get the point that you can’t have sustainable growth forever. You can have sustainability forever, or growth for a few years.’ The idea is not a new one. As long ago as 1972, a book called *The limits to growth*\(^{34}\) published the results of computer simulations of what would happen under various scenarios where exponential economic and population growth were combined with finite resources. The authors concluded that if present growth trends in population, industrialisation, pollution and food production continue, the limits to growth will be reached sometime in the next 100 years. In 2004, the authors updated the book and found their initial hypothesis vindicated by events, with climate change the most significant element of ‘overshoot’.

Similarly, John Fullerton of the Capital Institute in the US argues that we are breaching safe ecological operating zones (emissions production, biodiversity). The root cause is our economic system: ‘The universal patterns and principles the cosmos uses to build stable, healthy, and sustainable systems throughout the real world can and must be used as a model for economic-system design.’\(^{35}\) He proposes what he calls regenerative capitalism. Under the present system, he argues, resources are put in service of the economy and then finance decides how the elements and products of the economy are allocated. He suggests a reversal of this arrangement: finance places itself at the service of the economy.

Succeeding governments, then, have placed their bets on economic growth as a means of ensuring prosperity and wellbeing. This idea will no longer do, first because the proceeds of that growth have not been distributed fairly. In addition, the limits to growth outlined above mean that attachment to economic growth, and to the notion that wellbeing depends on income and the ability to consume, will become less and less tenable.
**The public sector**

Just as we live in a rich country, we live in a country with a highly developed system of government. Divided into central government, local government and around 40 government-owned trading businesses (for example Ordinance Survey and the Met Office), the organisations that conduct government business are known collectively as the ‘public sector’.

As seen in Chapter One, the public sector emerged triumphant from the postwar settlement. The public mood was one of ‘rights not charity’, exemplified by government minister Nye Bevan’s remark as he launched the second reading of the National Health Service Bill in the House of Commons on 30 April 1946, “I believe we ought to have left hospital flag days behind.”³⁶ Social planning and the provision of social services were to be done by the public sector on the principle that activities and services would be accountable to the electorate through parliament.

Radical changes to the organisation of government occurred during the 1980s. A swathe of legislation – the Education Act 1988, the Housing Act 1988, the Local Government Finance Act 1988 and the National Health Service and Community Care Act 1990 – enabled the contracting out of public services to the private and voluntary sectors. In line with the philosophy of ‘new public management’, the key role of government was to purchase rather than deliver public services. The rationale, explained in Osborne and Gaebler’s bestselling 1992 book *Reinventing government*, was to introduce an entrepreneurial spirit into the operation of the public sector.³⁷ The approach has been followed by both Conservative and Labour governments ever since.

Research by the Institute of Fiscal Studies shows that over the second half of the 20th century government spending fluctuated between around 35 per cent and 45 per cent of national income, growing in real terms at an annual average rate of 2.7 per cent between 1948–49 and 1999–2000.³⁸ The first decade of the 21st century continued to see sustained increases in public spending, aggravated by the financial crisis of 2008 and the associated recession. To address the resulting deficit,
the Coalition government and the new Conservative government have increased taxes and kept total public spending relatively flat in real terms, resulting in spending as a share of national income falling dramatically between 2009–10 and 2019–20.

These policies have meant cuts to public sector budgets. Figure 2.1 shows where these cuts have fallen in the years 2010–11 to 2015–16.

The scale of the budget cuts has meant reductions in services. The most dramatic are at local authority level. A Financial Times survey in July 2015 found that: ‘Across Britain, services have been abandoned and entitlements altered as the chancellor has conducted one of the developed world’s most effective exercises in deficit reduction.’ It found that local authority budgets had been cut by £18 billion in real terms since 2010 – with at least another £9.5 billion expected by the end of the decade.39 A study commissioned by the Joseph Rowntree Foundation suggested: ‘The poorest communities and residents are being hardest hit and those least able to cope with service withdrawal are bearing the brunt.’40

These findings raise key questions about the capacity of the public sector to deliver a good society in the coming years, particularly in light of the uncertainty created by Brexit. As a Deloitte’s review of the fiscal landscape puts it: ‘Whitehall and the UK’s regulatory bodies face a complex challenge in assessing how the detailed regulatory landscape will need to change as the UK leaves the EU, and what the implications will be for public bodies subject to EU directives.’41

Government capacity is further eroded by distrust of politicians. This has been thrown into sharp relief by the EU referendum, but it is not a new problem. IPSOS Mori has been running the same survey on trust in key professions since 1983. At no point during that period have more than a quarter of the public ever trusted politicians to tell the truth. Worries about people’s disengagement from politics are not new either. At the time of the 2001 election, Hayes and Hudson found a worrying disengagement from politics when only 59 per cent of those eligible to vote did so.42 At the time, Meg Russell suggested that ‘we have lost sight of what politics is for’, which in turn suggests a ‘deep underlying cultural malaise that needs to be addressed’.43 The all-time
Figure 2.1: Real-time percentage cuts in departmental expenditure limits 2010–11 to 2015–16

Note: CLG Local Government, Scotland and Wales budgets are adjusted for the effects of council tax benefit localisation and the business rates retention policy. The Defence budget includes the special reserve in 2015–16.
low in trust in politicians was recorded in 2009 in the wake of the expenses scandal, when only 13 per cent said they trusted politicians.\textsuperscript{44}

The chronic problem of dissatisfaction with conventional politics has let in space for the rise of extremism. Again, this is not new. With its tough line on crime and anti-immigration policies, the British National Party (BNP) proved attractive to some voters in local elections in May 2003. The BNP won three council seats in the northern town of Burnley – the scene of riots fuelled by racial tension in summer 2001. Overall, the BNP averaged 18 per cent in the 19 results contested nationwide – the far right’s best showing since the late 1970s. Martin Jacques noted that ‘fascism and an ugly racism are alive’, but ‘not since the 1930s has the threat … of a turn towards barbarism been so great in the west’.\textsuperscript{45}

Since then, populism has been on the rise across the US and Europe. Inglehart and Norris have conducted an impressive analysis of the reasons, focusing particularly on factors of economic insecurity and cultural backlash. They find that the main driver is cultural backlash, ‘especially among the older generation, white men, and less educated sectors, who sense decline and actively reject the rising tide of progressive values, resent the displacement of familiar traditional norms, and provide a pool of supporters potentially vulnerable to populist appeals’.\textsuperscript{46} The rise of the UK Independence Party (UKIP) has had a marked effect on British politics. Although electoral success in the UK has eluded it, it gained a foothold in the European Parliament elections of 2014, and has obtained its core objective of obtaining Britain’s exit from the European Union.

\textbf{Civil society}

In the late 1980s and early 1990s both the communist order and apartheid were dismantled, partly because of pressure for change from ordinary citizens. This prompted the rediscovery of the idea of ‘civil society’, dating from the Enlightenment, as a space between the state and the market where citizens and their institutions can produce social solidarity and influence public affairs. This led to a new Washington
Consensus, which involved a growing private sector, a diminishing role for the state, and an expanding civil society where citizens would play a greater role in determining their own affairs. Many hoped that the new world order would produce freedom, prosperity and solidarity.

However, Ralf Dahrendorf argues in *After 1989* that it is impossible for more than two of these to coexist in society at any one time and that freedom and prosperity have prevailed at the expense of solidarity. Other studies seem to confirm this. Robert Putnam showed the decline of community in America, with people becoming increasingly disconnected from their relationships with family, friends and neighbours and withdrawing from civic life. A comparable British study demonstrated the decline of collective action through reduced membership of churches, trade unions and civic associations. The voluntary sector has also declined as an independent force. The final report of the Independence Panel of the Baring Foundation in 2014 noted: ‘Under successive governments, the voluntary sector has increasingly become seen as a contractual arm of the state, without an independent mission or voice, interchangeable with the private sector.’

At the same time, there are many voluntary and community organisations that provide a progressive view of the world, and are working towards a good society without poverty. These include the Joseph Rowntree Foundation, Child Poverty Action Group and Church Action on Poverty, among many others. The End Child Poverty campaign, for example, has more than 100 member organisations, including the train drivers’ union Aslef, Barnados, the National Union of Teachers and the National Society for the Prevention of Cruelty to Children (NSPCC). More broadly, a review of UK progressive society (outside party politics), undertaken by Compass and the New Economics Foundation (NEF), identified 160,000 organisations, employing 800,000 people and with an annual turnover of £39 billion.

However, the Compass–NEF review also identified weaknesses. First among these is lack of a shared vision. While the review noted strong and overlapping values – equality, democracy, social justice – there is
no agreement on what these values mean in practice, resulting in an absence of focus and priority. Such considerations have caused leading commentators on civil society, such as Michael Edwards, to conclude that despite their numbers, the influence of civil society organisations is limited. Moreover, community organisations that work from the bottom of our societies are fragile and can easily fizzle out.

There are examples which show that this trend is not universal and give grounds for some optimism. Over the course of 25 years Citizens UK has built a power base among citizens to work on issues affecting local communities, such as the living wage, jobs, housing, safety, refugees and the participation of excluded minorities. The Trust research suggests that there is much energy at community level to contribute to society, but it is difficult to connect this to established systems of governance. In a sense, this is another symptom of popular disenchantment with politics. Neither communities nor their elected leaders seem able to communicate with each other.

No review of civil society, however brief, can be complete without recognising that social media has brought wholesale changes to the way that we organise our lives and relationships. A Trust-sponsored review of current social trends found that technology and social media ‘is the big driver of change’. Social media enables civic actors to organise in ways of their own choosing. We have seen the rise of Kickstarter (for creative projects) and Avaaz (for people-powered politics), and the development of popular hashtags on Twitter such as #BringBackOurGirls and #WeAreHere. 

While social media has great potential for organising for good, it has a corresponding potential for propagating hate. In 1990 Mike Godwin, then a law student, formulated ‘Godwin’s Law’: ‘as an online discussion grows longer, the probability of a comparison involving Nazis or Hitler approaches one’. Academic John Suler has studied the ‘online disinhibition effect’ in which people tend to be more spiteful and less restrained online than in person. That this has had its effect on politics was easy to see during the 2016 American election, when vindictiveness and personal attacks became prevalent. This behaviour is increasingly common in the UK and, according to journalist Jamie
Bartlett, is ‘ruining politics’. ‘Twitter storms, online spats and insults are making it impossible to talk to one another and reach the compromises on which public life depends.’ At the same time this hate may not be visible to many users of Twitter because, as the empirical studies cited by Ian Harford show, people of different views rarely interact on Twitter since we tend to follow people whose views we agree with.

Poverty

The 2016 annual report Monitoring poverty and social exclusion, produced by the New Policy Institute for the Joseph Rowntree Foundation, showed that there were 13.5 million people living in low-income households in 2014–15, representing 21 per cent of the UK population. This proportion, based on the criterion of falling below 60 per cent of the median income, has barely changed since 2004–05. Since median incomes have stagnated over much of this period, we can conclude that there has been little recent progress in reducing poverty whether a relative or an absolute measure is used.

What has changed over the past decade or so is the composition of people affected by poverty. Figure 2.2 compares the numbers of people in different groups in poverty in two different years: 2004–05 and 2014–15. The big changes are the increases in poverty among working families and those living in private rented accommodation.

Figure 2.3 goes into more detail about the prevalence of poverty among different groups. A glance at the chart shows that poverty tends to be concentrated among four different groups: people without work, people from various black and minority ethnic backgrounds, single parents and disabled people. It also shows the importance of housing in making poverty worse, particularly for people in the social and privately rented sectors.

A recent report by the Joseph Rowntree Foundation noted:

The level of poverty in the UK is shameful. This should be a place where everyone can live a decent, secure life. Instead, 13 million people – half of whom are in a working family – are living without enough to meet their needs.
Figure 2.2: People in poverty after housing costs in different groups in 2004–05 and 2014–15 (millions)

Note: The data for poverty by age is a three-year average.
### Figure 2.3: Proportion of people in poverty among different groups, 2015–16, showing effect of housing costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Below 60% of the median before housing cost</th>
<th>Difference after housing costs</th>
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</thead>
<tbody>
<tr>
<td>Workers, one or more employed</td>
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<tr>
<td>Bangladesh</td>
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<td>Pakistan</td>
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<td></td>
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<tr>
<td>Workers, other in work</td>
<td></td>
<td></td>
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<tr>
<td>Social rented sector tenants</td>
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<td></td>
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<tr>
<td>Asian/Asian British</td>
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<tr>
<td>Single with children</td>
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<td></td>
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<tr>
<td>Those living in families where someone is disabled</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Couples, one full-time work, one not working</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Midlands</td>
<td></td>
<td></td>
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<tr>
<td>Mixed/multiple ethnic groups</td>
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<tr>
<td>One or more full-time self-employed</td>
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<tr>
<td>East Midlands</td>
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<td>Yorkshire and the Humber</td>
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<td>North West</td>
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<td>North East</td>
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<td>Single without children</td>
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Figure 2.3 (continued): Proportion of people in poverty among different groups, 2015–16, showing effect of housing costs

The literature on the consequences of poverty suggests that it causes much damage: to individuals who are poor themselves, to children born to parents with low incomes whose life chances are thereby reduced, and to society generally. The 2014 report of the Living Wage Commission gives many examples. The American Psychological Association has also collected evidence of the harmful effects of poverty on many dimensions of life, including health, educational attainment, use of leisure and psychosocial wellbeing.

The reality of how poverty affects children’s lives became evident during a programme the Trust developed in the North East. In 2011, the Trust supported Children North East to run a conference called ‘Child poverty: definitely not a thing of the past’. As part of the preparations, 517 children were given disposable cameras and asked to photograph what poverty meant to them; this resulted in 11,000 pictures. Focus group discussions were held involving 133 children, and a group of children from a low-income area of Newcastle was supported to write and perform a play called *A day in the life of Hope*.

This process highlighted the emotional damage that poverty does to children. The children typically used expressions of ‘embarrassment’ and ‘shame’. “I am embarrassed to bring my friends home”, said one. “I am too ashamed of our house to invite my friends for a sleepover”, said another. Money is always a problem: “If you don’t have money, you can’t do anything.” Children rarely go anywhere: “It’s £240 for a family to go to Alton Towers”, and “All your money is spent on bus fares”. Staying at home is no fun either because “Loads of people around here are horrible, graffiti, fights and talk about bad stuff”. There is nowhere to play: “You can’t play in the park because it’s covered in rubbish, then you play in the street and adults get annoyed.” And the area is run-down: “Our area looks really bad with all the ‘to let’ signs, like no one wants to live there.” Other work preparing for the conference revealed that one in six of the thousands of poor children in the North East had contemplated suicide.

As regards diminished life chances between the generations, there appears to be a cycle. Parents who live in poverty bring up their children in conditions of poverty. These children tend to become
poor adults in turn and *their* children grow up in poverty. There is a close correlation between incomes of parents and achievements of children.\(^6^3\) Every year a child spends in poverty increases the chances that they will fall behind the level of their classmates by the age of 18. Such children are also less likely to receive supportive parenting because their parents’ poverty means they commonly suffer from ‘anxiety, depression, and irritability’, leading them to be ‘punitive, inconsistent, authoritarian, and inconsiderate towards their children’. Driscoll and Nagel show that poor children are twice as likely to have stunted growth, iron deficiency and severe asthma.\(^6^4\)

Poverty puts children at greater risk of dying before their first birthdays than mothers smoking during pregnancy. Overall, children growing up in poverty are not only more likely to suffer poor health and do less well at school but are also more likely to become the next generation of adults at risk of unemployment and long-term poverty.

While most of the literature on the effects of poverty focuses on the effect on individuals or families, there is also evidence of harmful effects on wider society. A 2008 report aiming to give ‘an estimate of the extra cost to selected public services of the existence of child poverty’ put the costs of child poverty in the UK to public expenditure at between £11.5 billion and £20.7 billion a year. This took into account personal social services (for example, provision of support to children because of abuse or neglect), healthcare, education, housing, police and criminal justice, fire and rescue, local environmental services (for example, street cleaning, maintenance of parks and open spaces), and area-based programmes (for example, the Neighbourhood Renewal Programme).\(^6^5\) More recently, the Joseph Rowntree Foundation has estimated the overall costs of poverty at £78 billion per annum.\(^6^6\)

Poverty is a major cause of social tensions dividing people within a country.\(^6^7\) Groups in Britain who have been ‘left behind’ by rapid economic change and feel cut adrift from the general current of life in the UK – people on low incomes with no qualifications and low skills – were the most likely to support Brexit.\(^6^8\)
Society is drifting

Why has this happened? As noted in the earlier part of this chapter, social questions have been neglected at the expense of the pursuit of material prosperity – despite the failure of the economic system to distribute gains in such a way as would satisfy the majority. Notwithstanding increasing criticism of the economic growth paradigm, we are reluctant to abandon it. We have drifted into what is sometimes called the ‘Washington Consensus’, in which the market is the arbiter of all things, government responsibility for social provision is reduced, and civil society takes on – or attempts to take on – that responsibility.

Three bestselling books in the past few years have produced powerful criticisms of the current system, particularly in relation to the role of the market and the consequent rise in inequality. Thomas Piketty demonstrated that the returns on capital have persistently exceeded the returns on labour, leading to long-term increases in inequality. Richard Wilkinson and Kate Pickett showed how inequality damages society. Finally, Michael Sandel revealed how markets have permeated every aspect of life, damaging our sense of value. Almost everyone – at most points on the political spectrum – believes that the neoliberal philosophy has run its course. This includes economists at the International Monetary Fund who believe that the philosophy has been oversold. These things matter and affect ordinary people’s lives.

There are many areas where the current system is failing ordinary people. Planning is a good example. The Trust commissioned the Town and Country Planning Association (TCPA) to review the English system of land use planning. It concluded:

The planning system was invented to help provide a good home, for everyone, in a healthy, thriving place. But in the last few decades something has gone badly wrong. Instead of having people’s welfare as its priority, nowadays the English planning system puts economic growth above all else. What has this achieved? All over the country working people can’t afford to
buy a home. People on benefits are forced to move hundreds of miles away because there are no affordable rented homes where they live. And local councils are unable to refuse permission for developments that they know will harm their communities.\textsuperscript{73}

The TCPA suggested that the UK is a rich society that is poorly organised. To make progress, it is vital for us to bring back a sense of utopia that focuses on ‘meeting people’s needs for homes, green spaces, and attractive towns, cities and villages’. Through its #planning4people campaign, the TCPA has brought together a powerful coalition of like-minded people and organisations to work to change planning for the better.

How do we achieve the changes we need? Government has neither the means nor the credibility to provide a solution. The purely economic approach to prosperity has failed, and people are increasingly looking for forms of wellbeing that are not solely material. Policy makers and experts on the one hand, and communities at the sharp end of a divided and uneasy society on the other, are unable to communicate with each other. All this indicates the need for a new approach.

The first and most important step is to admit our confusion. This is vital if we are to make progress. As former Greek finance minister Yanis Varoufakis puts it:

Nothing humanises us like \textit{aporia} – that state of intense puzzlement in which we find ourselves when our certainties fall to pieces … and when the \textit{aporia} casts its net far and wide to ensnare the whole of humanity, we know we are at a very special moment in history.\textsuperscript{74}

Stewart Lansley has identified four conditions for the kind of transformation we need: severe economic shock; the intellectual collapse of the existing model; a loss of faith by the public in the existing system; and a ready-made and credible alternative. The first three have already come about. What is missing is a coherent, ready-
made and widely endorsed alternative that would command public support. Developing such an alternative is the task of the next chapter.

Notes

6. Harris, J. (2016) ‘We are living in a country so unbalanced that is has effectively fallen over’, *The Guardian*, 24 June.


Rethinking Poverty


See http://hansard.millbanksystems.com/commons/1946/apr/30/national-health-service-bill


THE SOCIETY WE HAVE


As reported by the BBC, and available from www.bbc.co.uk/news/uk-36937516

Available from: www.poverties.org/effects-of-poverty.html


The #Planning4People manifesto is available from: www.tcpa.org.uk/planning4people
