

Labour needs to find its moral compass on child poverty

Published: January 13, 2026, 1:22 pm

I published this video this morning. In it, I argue that the row over the two-child poverty cap has revealed just how shallow the new Labour government's moral leadership really is. If it continues in this way, the next five years will be agonising.

<https://www.youtube.com/watch?v=FcyA9eKMIIk>

The audio version of this video is here:

https://www.podbean.com/player-v2/?i=7ehxt-167a917-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=654771&font-color=&logo_link=episode_page&button-skin=fb0584

The transcript is:

The row over Labour and the two-child benefit cap is exposing so many flaws within its thinking.

It's had nearly 10 years to develop policy on this issue because we've had that cap for nearly that long and yet they've arrived in office and apparently need to hold an inquiry to work out what they should think. Really? Are these politicians so unaware of the briefs that they are meant to be following whilst in shadow cabinet as MPs that they don't know what they think about them? Of course, Labour knows what it thinks about the two-child benefit cap. It's either in favour of it or it isn't. There's really not much other place where it could be.

So, what is going on here? Well, it's obviously not a debate about the two-child benefit cap that is happening right now in the Labour Party. There is a virility test going on, and

that virility test is between Keir Starmer, Rachel Reeves, and the rest of the Labour Party.

Keir and Reeves are united in their desire to make sure that the books balance. And their claim is that those books must balance on a figure which was pre-ordained by the Tories, because they've accepted the current Tory financial settlement for this country and the Tories' fiscal rule, under which Rachel Reeves says she must work. That means she believes she cannot increase government spending, and, as a matter of fact, relieving child poverty in this country by removing the two-child benefit cap would cost a figure of between £1.7 billion and £3.2 billion, depending on which authority you talk to. Charities tend to think it's the smaller number, the Institute for Fiscal Studies tend to think it's the larger number, Labour has, for its own reasons, chosen the larger number for this purpose, but whatever it is, the figure in question is small.

It's particularly small when put in the context of the number of children who are impacted by this. 330,000 children are in extreme poverty as a consequence of that cap. That means they're living in households with less than 60 percent of median earnings. Another 400,000 children are potentially living in poverty, which means they're living on well below median earnings, but not in extreme poverty in their households.

So those children are suffering. And let's not beat around the bush, that's what this means. They have adults in their household - parents, carers, whoever they might be - who cannot provide those children with what they would wish. That may be a meal. It might be the bed that they require. It will almost certainly mean it's not the accommodation that they need, because by and large low earnings go with poor quality accommodation.

And they may well be missing out on other essentials. Sleep, because the house that they live in is not good enough. Or clothing, including school uniforms, which may not be available to them and will bring them under pressure. These things really matter, and Labour could change this. The point I'm making is that this is a moral choice.

To pretend that this is a financial choice is quite absurd. Governments can create money whenever they wish. We know that. As a matter of fact, that's the way that all government spending takes place. The government decides it will spend on something. It tells the Bank of England to pay it. The Bank of England doesn't look in the government's bank account and says, "Hey, you haven't got any money in here today, so you can't spend." Quite simply, the Bank of England extends the money to the government on what is, in effect, an overdraft, and the government makes the payment. That can happen ad infinitum because, of course, the government owns its own bank. So, the government can make these payments.

To pretend there's some limit on what it can spend is totally untrue. Artificial. A lie, if you like, because that's what it is. It really is a misrepresentation of the truth, and that's

what I would call a lie.

So, therefore, Labour is making a moral choice.

A moral choice about telling the truth.

A moral choice about relieving poverty.

And a moral choice when it comes to its MPs.

Seven of them have now been suspended just three weeks after they were elected as Labour MPs, because they've had the temerity to say Labour should get rid of this two-child benefit cap. That's extraordinary. It's an assault on democracy as far as I can see. Just three weeks ago, people in those MP's constituencies voted for a Labour Member of Parliament and now they haven't got one because of the whim of Keir Starmer.

Should he have that power? That's a separate question. But it's another moral one.

But the reality is, Labour could, even if it insists on balancing its books - which it doesn't need to - but even if it does insist on that, it could do so. The money could be raised from taxation to make these payments.

Where could the money come from? Look in the Taxing Wealth Report, which I wrote over the last year or so. I have explained where up to £97 billion pounds of additional taxes could come from, all being levied on those with higher incomes or what we might call significant wealth in the UK.

Let me give a few examples now. Most capital gains in the UK are unsurprisingly made by those people with wealth because you've got to have some significant asset value invested in something to ever make a capital gain in the first place.

Therefore, capital gains and wealth are intimately related subjects, but for reasons that make no economic sense at all, capital gains are charged at rates almost invariably half of those charged on income. Let's ignore the utter injustice of that at present and why work should be taxed so much more heavily than income from savings. Let's just point out, if the rates were the same, that Labour could raise at least £12 billion extra a year in tax, and therefore have enough to relieve child poverty and have £9 billion left over to get rid of the bedroom tax, to solve the problems with carer's allowance, oh, and chuck in the wages settlement for NHS staff.

We could, therefore, solve a whole pile of problems by doing that.

Alternatively, some of the benefits that the wealthy get in the UK could be removed. What benefits do the wealthy get? Well, about £70bn a year is spent on subsidising pensions in the UK, and I reckon that £14bn of that is represented by the additional

rates of pension tax relief given to those who are on higher levels of earning in the UK - those, in other words, who pay 40 and 45 per cent income tax rates. Now by definition, you are well off if you're earning over £50,000 a year in this country. You're earning well above average earnings. If that isn't a reasonable definition of what is being well off, I don't know what is.

Why should those people get a subsidy for their savings that is double that of those people who are on average earnings - less than £50,000 a year. I don't know. I can't morally justify that. But the cost is a staggering £14 billion at a saving to each person on average of something like £4,500 a year or more.

Now that's crazy. Why subsidise the wealthy by £4,500 a year and leave 730,000 children in poverty? Does that make any sense to anyone? Could anyone sleep at night knowing that they could relieve that poverty simply by making this one change to the pension tax relief system, with the wealthy still getting more subsidy than anybody else for their pension contributions, simply because they contribute more to pensions than anyone else.

I couldn't sleep at night knowing that I could make that difference. I don't know how Keir Starmer does. I don't know how Rachel Reeves does. And I don't know how they can justify sacking Labour MPs who voted with their consciences to relieve poverty in the families in their constituencies where those children live when in many cases, up to 45 percent of children in their constituencies might actually be living in poverty because those Labour members represent poor constituencies.

I'm sorry, but I can't see any way of looking at this except as a moral issue. And it's one where Labour has revealed it has no moral substance at present.

If they know they're going to get rid of the two-child benefit cap, as some people say they do, but they're just posturing on the way, well, that's immoral, too. Get on with it. This is ridiculous.

I am very angry about this, and I think anybody of right mind should be. We have a government who's making the lives of people in this country, the most vulnerable people, those with least protection, children, worse as a consequence of not making a decision that they could literally make overnight and change the well-being of those children and their families. It's unjustifiable that Labour won't do this. It's against every tradition that I think Labour used to ever hold dear.

What have we got now? It's certainly not a Labour Party in the form that we used to recognise it. Some people call it LINO - 'Labour in name only', and I've a lot of sympathy with that.

But if this is the way in which the next five years are going, Keir Starmer's in for a rough ride. He got in on a very shallow base of support, like a big puddle that was only two

inches deep. It's going to evaporate very rapidly if this is the sort of thing he's going to do, then he's going to be facing a lot of public opposition, and he'll deserve it. He has to find his moral compass, or he's in trouble.