red pepper

Mythbusters

The facts that challenge the right wing myths, from the pages of *Red Pepper* magazine

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Unions
Housing
Pensions
Immigration
Welfare reform
Higher education
Public spending cuts

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Introduction

I think we've all had those moments in the pub, or chatting to friends and family, when some right-wing myth is casually slipped into conversation. You know it's not true, but sometimes it's hard to convince people of a fairer point of view, especially if you're trying to explain something that you see as common sense.

It doesn't help that the national tabloids tend to reinforce the the most outrageous and divisive ideas. We see headlines such as 'They've stolen all our jobs' (*Daily Star* on immigrants), '75% on sick are skiving' (*Daily Express*), and recently the *Daily Mail* described an accused child murderer as a 'Vile product of Welfare UK'.

The truth is that we need migration, just as much as we need to save and strengthen welfare. While the government and corporations attack the welfare state under the veil of austerity, it's all too convenient for them if the rest of us blame each other and fight amongst ourselves.

However you react when faced with right-wing myths, it can always help to have a few facts up your sleeve. This booklet is designed to put the record straight when it comes to rumours that blame the poor and vulnerable for society's problems.

We've got a long way to go to build a more fair and equal society, but winning these arguments is a good place to start.

Jenny Nelson
Political Organiser,
Red Pepper

Why there's no need for public spending cuts

The government says that public spending is out of control, and needs to be slashed before we spiral ever further into debt that our children will be paying back for generations. There's only one problem – it's not true. The myths about the scale and dangers of public spending are just a cover story for their cuts.

MYTH

Government debt is the highest it's ever been

The UK's government debt is at around 70 per cent of GDP (the total amount of goods and services produced in one year). That is certainly high, but it is far from unprecedented.

Government debt never fell below 100 per cent of GDP between 1920 and 1960. It is only in the past decade or so that it has become normal to think of government debt being stable at around 40 per cent of GDP.

It is worth noting that government debt reached 250 per cent of GDP around the end of the second world war, as the result of a 'once in a generation' economic and political crisis. It is certainly arguable that we are now living through a similarly momentous crisis.

GDP

▲ 1945 **250%**

▼ TODAY **70%**

GDP

MYTH

Government debt is 'unsustainable'

The sustainability of government debt is not just dictated by its size, but by its make up. We have already seen that government debt is at a comparable level to other similarly sized economies. Where the UK is in a much stronger position, however, is in the nature of its debt.

While countries such as Greece tend to owe money to external financiers, the vast majority of UK debt – about 70 to 80 per cent – is held within the country.

And the UK's debt is not so short term. Countries such as Greece, Ireland and Portugal have average debt maturity rates of between six to eight years, but UK government debt stands out among international comparisons as being much longer term at well over 12 years on average.

This means that the UK has to ask the financial markets to refinance its debts much less frequently, making it less vulnerable to short-term speculative pressures and much more able to continue to finance its debts on a sustainable basis.

MYTH

The government shouldn't get into debt, just as your own household shouldn't

This overlooks the fact that, for the past 30 years, governments have positively encouraged households to get into debt.

In fact, it can be prudent for households to take on debt – particularly if they are borrowing to pay for something (a house or educational qualification) that might reasonably be expected to improve the household's income and well being in the long run.

In just the same way it is often sensible for governments to take on debt to pay for investments (such as housing or transport infrastructure) that will make the economy work better and so pay for themselves over the longer term.

But the public economy is also different from the household economy. What might make sense for a household could, for the government, deepen a recession. When times are hard households tend to tighten their belts – reducing their spending and borrowing. But if everyone does this at the same time, the effect is counterproductive: total demand for goods and services falls, which makes it harder for businesses and individuals to generate an income, and everyone ends up worse off.

This is exactly what is happening now, which is why it is essential for the government to compensate for households' reluctance to spend and invest.

MYTH

Public spending got 'out of control' under Labour

It is true that the Labour government gradually raised public spending in the early part of the decade, but it was from what were historically very low levels.

Levels of public spending are now about the same as they were in the early 1990s, at the time of the last economic crisis. This is because spending always rises during a recession as a result of welfare spending on unemployment.

In fact, levels of public spending as a proportion of GDP were much lower for most of the 2000s than they were than at any point since the 1960s.

Where Labour did spend more in the years after 2000, it was necessary to repair the visible effects of long-term under-investment. Who can forget schools and hospitals with buckets in the corner to catch the leaks, or grim city centre landscapes with crowds of homeless people sleeping rough?

Labour's increased spending also addressed workforce shortages in schools and the NHS, where more staff were needed to raise educational standards and care for an ageing population.

Rather than cutting such spending, the crisis could be an opportunity to build the infrastructure of a more energy-efficient, green economy. That would prepare us for the longer-term structural barriers to growth presented by climate change and the depletion of natural resources.

MYTH

The UK has a big public sector compared to other countries

Public spending in the UK is lower as a proportion of the economy than in the likes of France, Italy, Austria and Belgium, as well as the Scandinavian countries, according to the OECD World Factbook.

And spending on core areas such as health and education remains comparable or low in relation to other OECD (broadly speaking, 'rich') countries. For example, the UK spent just 8.4 per cent of its GDP on health in 2007, well behind Germany, France and most other west European nations.

On education, the UK again spends less per pupil than most comparable OECD countries. The UK is not profligate in public spending and does not have an oversized public sector compared to similar countries.

MYTH

Spending on the public sector is 'crowding out' private sector growth

It is argued that public spending comes at the expense of overall growth, because potential investment is being re-directed into taxation to fund an 'unproductive' public sector. But in fact investment in public infrastructure and services is essential to private sector productivity, and so is no less critical to future growth than private sector investment.

Furthermore, the UK is not a highly taxed economy. The OECD's comparative figures on taxation as a proportion of overall economic output show the UK way down the list, only just above the average.

It is sometimes suggested that taxes hit the private sector in such a way as to discourage job growth. Again, though, the data shows the UK to have very low levels of taxation per job: far lower than the OECD average.

The second way in which the public sector might be said to be crowding out private sector growth is by taking workers it needs, but this would only really be the case where the labour market was operating close to full employment.

With the unemployment rate at about 8 per cent, this is clearly not the case, and in many areas of public provision – from child protection, to education and training, to care for the elderly – there is a pressing need for more, not fewer, public service workers.

Finally, some argue that public investment 'crowds out' private investment, because government borrowing pushes up interest rates and inflation. But there is no evidence that this is currently a problem - real interest rates are low, and the economy is still operating well below its potential output, which means there is lots of room for non-inflationary public sector expansion.

In fact, in current circumstances, public spending is more likely to stimulate private sector investment by maintaining levels of demand and preventing a deeper collapse of economic activity.

MYTH

Public sector workers are overpaid

It is true that very recently average wages in the public sector have moved marginally above those in the private sector. This is mainly because privatisation has pushed many low-paid jobs out to the private sector.

The trend is not that public sector wages have risen sharply, but that private sector wages have fallen – a characteristic of the economic crisis. If we take a longer view, since the 1990s average public sector pay has not seen significantly more growth than the public sector.

And when private sector wages are split up to consider different sector and occupational patterns, a rather different picture emerges. Wage rates differ widely, with the average pulled down by very low wage sectors such as distribution, retail and hospitality.

What the data shows, therefore, is not that public sector workers are overpaid, but that some private sector workers are severely underpaid.

MYTH

The financial crisis was caused by a lack of money in circulation

This one is true to some extent, but it requires careful explanation. The system of finance capitalism pursued in the UK and US since the 1970s has continuously recycled economic surpluses away from the poor toward the rich. In both countries, the share of economic output taken up by wages (as opposed to profit) has fallen, and inequality has risen. The very affluent have got wealthier, at the expense of the rest of the population. In 2007/08 the richest tenth of the population had more than 30 per cent of total income ('Income Inequalities', poverty.org.uk).

In the post-war period, part of the role of the state was to redistribute economic surpluses to the wider population so that they could keep spending on goods and services. This was seen as so important precisely because large inequalities had been identified as one cause of the 1929 stock market crash and the subsequent depression.

For a while, the problem that rising inequality presented for growth was overcome by the use of credit and the super-exploitation of workers in the developing world, which allowed consumers to keep buying cheap products. This is one of the factors that fed the debt crisis.

So, yes, there is not enough money in circulation – but this is precisely because it has been captured by the super-rich.

MYTH

Cutting public spending will help us avoid economic disaster

A range of economists, from Larry Elliott of the Guardian to Nobel prize winning professors like Paul Krugman and Joseph Stiglitz, are warning that making cuts now raises the very real possibility of undermining the fragile economic recovery.

As every first year economics student knows, there are four main components of economic growth: (1) exports; (2) investment; (3) household spending; and (4) government spending.

Over the past two years, governments around the world have stepped in to bridge the gap in the first three by providing debt-financed public sector stimulus packages. There is precious little evidence that the private sector or households are ready or able to step up their activity to fill the gap, or that exports will increase in a world where our major trading partners are also reining in spending.

As such, any austerity programme may prematurely remove the foundations of the recovery and lead to a return to recession. This would be disastrous, not just for growth, but in turn for tax receipts and the capacity of the state to reduce the deficit and government debt.

How will that help to stabilise the world economy? How will it deal with the frequent, persistent and cumulative financial crises that are endemic to it, or overcome the pressing resource and environmental constraints that are so clear for all to see?

The economic crisis was a golden opportunity to move toward a more economically, socially and environmentally sustainable national and international economic system. For a while all countries were so concerned about the whole system that there was at least a chance to overcome narrow self-interest and look toward a more co-operative and sustainable future.

We are about to squander a once-in-a-generation opportunity for progressive change – unless, that is, we organise and campaign for an alternative.

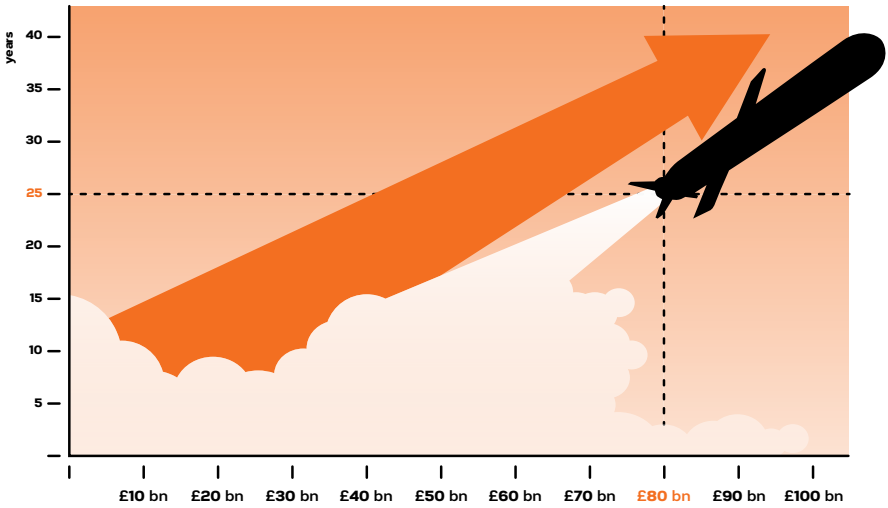
MYTH

There is no alternative to cuts

The beginnings of an alternative have already been discussed. For example, the Unison union's alternative budget suggests that almost £4.7 billion could be raised each year from introducing a 50 per cent tax rate on incomes over £100,000.

About £5 billion could be raised every year from a tax on vacant housing; £25 billion a year could be raised by closing tax loopholes; and the IPPR think-tank has estimated that a 'Robin Hood tax' on financial transactions could raise another £20 billion a year (T Dolphin, Financial Sector Taxes, IPPR 2010).

All these taxation measures would be 'progressive' in the sense that they



would divert wealth from the rich to the poor, in contrast to measures such as the government's VAT increase, which hits the poor hardest.

In addition, some of these ideas might have behavioural advantages: they could work against destabilising speculative financial flows, or lead to fewer empty houses.

Similarly, we could look at spending that really should be cut. For example, while estimates of the true costs of replacing the Trident nuclear weapon system vary widely, they tend always to come in above £80 billion over 25 years.

Getting rid of the cost of the war in Afghanistan, massive consultancy fees on private finance deals and contractors' profits in privatised public services would also make a difference.

We could also decide to manage the deficit and public spending in a long-term manner, targeting social issues such as inequality, under-investment in education and child poverty, and strongly regulating international financiers, banks, hedge funds and the like.

All of these are political choices.

We don't have to live in a world where unemployment co-exists with a long-hours culture in which workers are so stressed that mental health problems are on the rise. We don't have to live in a world where bankers gamble millions across the world in elaborate financial casinos

at the same time as 1.4 billion people live on less than $1.25 a day. We don't have to live in a world where there is no limit to how much of our collective economic output goes to the rich, yet others do not have enough to eat.

It is worth remembering that after the last crisis of this scale and significance, and with public debt something like three and a half times the size it is today, we established the NHS, created the welfare state, put in place comprehensive education and built a vast number of public housing estates.

History tells us that there is more than one way out of an economic crisis.

AFTER 1945

(with public debt 3·5x today's size)

Higher education: the lie-busting low-down

The tripling of tuition fees to £9,000 and the huge cuts to universities are the biggest shake-up to the sector for decades, and mark a significant step in the transformation of higher education into a commodity subject to the whims of the market. The government claims these plans won't affect education. Should we believe them? Of course not.

MYTH

The fee rises and public funding cuts to universities are fair – graduates should pay for their university education, not everybody else

The coalition argues that since graduates are the main beneficiaries of a degree, it is fair that they should pay for that degree. The structured repayment scheme for students has even led to claims that these plans are 'progressive'.

However, the idea of the public 'funding' higher education through taxes is something of a myth. In reality, university graduates actually provide a profit for businesses and taxpayers through higher income tax contributions. Statistics from the OECD show the net profit to the state from funding a graduate, recouped through social contributions and tax, averages £56,000 over a lifetime.

It is true that under the tiered debt repayment plans people on higher incomes would pay a greater proportion of their fees than those who are poorer. But the focus on repayment plans deliberately dodges the issue that taking on up to £50,000 in debt is a massive psychological disincentive that will be felt most keenly by poor-to-middle-income families.

MYTH

University reform will save money and balance the deficit

Many of the cuts proposed by the government are unlikely to actually save any money, and higher education is a case in point. Despite currently being funded with a comparatively very low 1.3 per cent of the governmental budget, universities employ 2.6 per cent of the country's workforce and generate 2.3 per cent of GDP (figures from Universities UK). The cuts to universities will cause significant job losses and some institutions will go bust. These redundancies cost money in the short-term, and welfare costs will also rise.

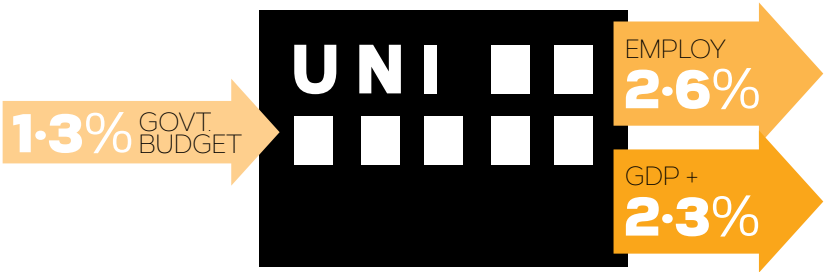
Meanwhile, money saved in subsidising courses and research will be required to fund the massive expansion in lending. The Higher Education Policy Institute recently concluded that the government will be spending so much on increased student loans that increased fees will not save any public money.

MYTH

Student numbers are unsustainably high now, and so cannot be funded by the public any longer

Universities in the UK receive far less funding than in most OECD countries, which have higher levels of student numbers. Student numbers (currently around 36 per cent of young people) are higher than previously but similar increases have taken place across all OECD countries in recent decades. Britain has below-average participation levels overall, ranking below Poland, Slovakia and the Czech Republic (Education at a Glance 2012, OECD).

Vice-chancellors have been complaining for many years about underfunding, and until recently their target was the government. This is because the government has been spending a modest 1.3 per cent of



GDP on higher education. This compares with an OECD average of 1.5 per cent. The United States, despite huge contributions by individuals, spends 3.1 per cent; Canada, South Korea, France and Scandinavian countries also spend substantially larger proportions of public money on universities.

Neither student numbers nor public spending on higher education in the UK are at unsustainable levels. If anything, targets for public spending on higher education and levels of university participation should be increased.

MYTH

British universities won't be able to compete internationally without 'reform'

Fee rises have been introduced to substitute for massive cuts in public funding, not to improve university performance. The proposed enormous higher education budget cuts will clearly damage UK universities, not help them.

The coalition's disregard for the well-being of educational institutions is most apparent in arts, humanities and social sciences, for which it has decided to virtually discontinue its financial support. The government's reforms entail a shift of the burden for university funding from the public budget onto students. But British universities will continue to require financial support to maintain and increase the impact of their research, and their appeal when it comes to research contracts and international students. Students' university fees will simply not cover the costs in some departments, irrespective of their research standing. The tripling of university fees is 'necessary' to safeguard standards only because of this government's refusal to subsidise higher education as a public good.

MYTH

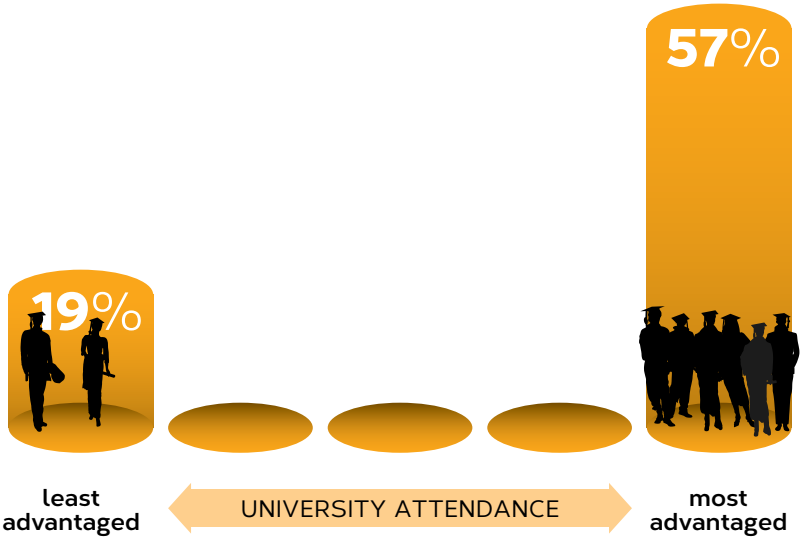
Top universities have been taking in more poor students, promoting social mobility

While 36 per cent of students go to university, there is vast inequality in the student population. 19 per cent of young people from the least advantaged fifth of the population go to university compared to 57 per cent from the most advantaged (Office for Fair Access).

Although this is actually a marked improvement since the 1990s, the 20 most selective institutions have not increased their percentage intake from the least advantaged areas at all over the same time period. The increases that have taken place are almost entirely in former polytechnics and others outside of the Russell Group universities.

The government's near-privatisation of university education, and the ensuing 'competition' envisioned by Lord Browne, is expected to promote the expansion of some universities while allowing others to close. The institutions that will suffer the most will be those outside the core of the existing big, well-funded institutions – precisely those that young people from poorer backgrounds would attend. Moreover, the evidence shows that any system of bursaries and loans has little positive impact on the likelihood of poorer students applying to and attending more selective universities, so the new scholarships are unlikely to address any of these inequalities.

The government's statements on higher education cuts are designed to provide bland reassurance. They mask a brutal attack on university education as a public good. We cannot allow them to be its epitaph.



Pensions: what private finance doesn't want you to know

Debates about pensions often seem complex. Public or private? Personal or company? Final salary or defined contribution? But most of these debates are not really about pensions at all. The abundance of myths about welfare for people at a certain stage in their lives adds to the smoke and mirrors of passionate but obscure arguments.

MYTH

Ageing populations are a burden on the state

Let's start with a myth that is propagated by nearly everyone: the idea that ageing populations are a burden on the state, on working people and on younger generations.

Older people are often described as 'threats', setting off demographic 'time-bombs', causing conflict between generations unless they can be financially contained. But this is not true.

People in many countries (but not all) are certainly living longer and older people are becoming a larger proportion of the population (at least until the baby boomers die, or because AIDS has ravaged younger ones, or because birth rates have plummeted).

That doesn't necessarily mean that state pensions can't be afforded, however. It is rather that public spending priorities are being placed elsewhere, such as defence expenditure, national security, and bank and corporate welfare.

Instead of boosting state pension, which would increase older people's

spending and their savings, all to the benefit of workers and the wider economy, plans are being made to cut them adrift. Younger workers feel frightened into increasing their private savings with private pension funds out of their dwindling net private income if they don't want to face a similar fate (even though such savings didn't save current pensioners).

In fact, as we shall see, it is the stock market model of social welfare that exacerbates conflict within and between generations, classes and workers.

MYTH

There is a growing ratio of old to young

Another version of the 'ageing population' myth is that the ratio of old to young people is said to be growing. This, it is argued, adds to the 'burden' that older people represent and increases the 'dependency ratio': the number of non-earning members of society who depend, albeit indirectly, on wage earners.

Rarely mentioned is that societies managed to find the money to feed, clothe, house and educate the baby boomers for their first 16 to 20 years, when they were 'dependents', before they started working. And as public sector services are cut back still further, older people will be those increasing their child care, community and charity work that contributes to an active economy.

Historical records suggest that the overall dependency ratio (paid workers to non-paid workers) has been more or less constant over time, even if the composition of those not working has changed over time.

MYTH

There are not enough savings to pay for old age

We are all regularly exhorted to 'save more' for our retirement. In fact, there are more than enough private savings around the world to fund decent pensions.

It's a matter of distribution and political priorities – not of whether you buy a loaf of bread or put your wages in your deposit account. What is insufficient is the ways and means of distributing savings equitably, and of controlling and ensuring equitable and sustainable investment.

Pensioners who have put aside money in advance of retirement and those who receive money taken out of current taxation all depend on what the economy produces and society provides at the time when they are actually pensioners, and at what prices – unless they store up 20 years' worth of tinned food, dried milk and a hip replacement or two beforehand.

The myth about funding pensions in advance or not serves simply to hide a conflict over how to divide current national income and who should get it.

MYTH

Public sector pensions are privileged

That takes us on to public sector pensions. These are increasingly cast as overly generous schemes for 'privileged' public sector workers and contrasted with private sector schemes that are being closed or cut in value because of the Great Financial Crisis.

In the context of the wider economy, however, not only are public sector pensions affordable and minimal, but UK public sector and state pensions are among the lowest in the OECD.

The problem is not with public sector pensions, but with the spectacular failure of private ones. It is ironic that the private sector financial institutions are being recruited to 'relieve' the state of its supposed pensions burden, when the real effect is to make up for failings in the private sector itself.

At the same time, the American manager of RBS (now a nationalised bank) has received a pension bonus of £735,000, which reminds us of what myths are really for – social constructions of reality to protect vested interests.

PENSION

UK AVERAGE
£5,800

RBS MANAGER
£735,000

MYTH

The pensions 'burden' is a 'crisis'

The language used to describe pensions is a myth in itself – one that underpins most pension debates.

'Burden' is a favourite word to describe old people and their pensions, 'crisis' another. 'Savings' are invariably good, but 'taxes' are bad, even though in the pensions world the concepts are actually the same. The difference is that 'savings' refers to the private financial sector and 'taxes' to the state (even though public sector finances are now largely captured by financial capital).

Winning acceptance of the need for people to save more for their retirement is really a political issue: savings are much easier to sell than taxes.

If there is a pensions 'crisis', it is that there are too many people in poverty in their old age because of unemployment, low wages and a shift in income distribution away from wages towards profits that has figured in the pension debate for 50 years.

MYTH

Private finance knows best

In the UK, pensions mythology began some 50 years ago as successive governments agreed a deal on 'final salary' pensions with the trade union movement: employer-led pensions, managed by private financial institutions, based on final salaries and paid out in future, would be guaranteed (for the most part) in exchange for wage restraint in the present.

Previously companies would agree final salary schemes with trade unions for a trade off of wages for pensions. As a result, pensions were regarded as 'deferred wages'.

This deal was a fake. In practice, it was an enormous transfer of economic power from labour to finance capital, the politics of which have not yet been fully explored. The legacy, however, is still with us today: private finance is said to be the best judge of where to place savings and the most efficient way to allocate them so as to promote investment in order to boost the resources available to provide for people's retirement.

MYTH

Private pension funds are good for the economy

According to this myth it is a good thing to encourage, or force, people to put some of their wages into private pension funds, not just for them but for the wider economy. The idea is that these funds will invest the money, primarily in stock markets and increasingly in alternative vehicles such as hedge funds, and this will increase financial capital, stock market growth, corporate investment and productivity. All this, in theory, will result in higher national wealth to pay pensions.

This theory was unproven even before the financial crisis. The World Bank, a leading pedlar of the myth for 20 years or so, admitted that even if such privatisation did not increase pensions, it would at least increase the size of stock markets around the world – a concession that reveals the real priorities behind the myth. World Bank figures show a rise in stock markets, which has nothing whatsoever to do with economic growth.

MYTH

Pension funds support innovation

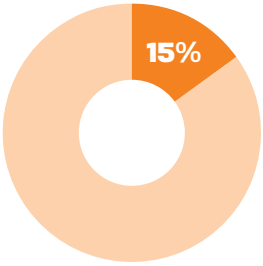
Advocates of UK and US-style pension systems that rely on stock markets say such systems allegedly result not only in higher economic growth but also more money for venture capital funds that will support innovation, needed for growing economies.

Most innovation, though, is initiated and backed by the state; pension funds and other private investors get involved much later on when the state has completed the initial high risk investment and sells it on.

The privatisation of pensions has led neither to better pensions for more people, nor to greater economic growth – and arguably has contributed to near financial collapse. Just consider the numbers of pension funds that have closed to new entrants, and existing members, when we were all told how essential the system was for our welfare.

STATE PENSION
(SINGAPORE)

PENSION FEES



PRIVATE PENSION
(CHILE)

MYTH

The state can't run pensions

Even if public sector pensions were not paid for out of our current taxation or national insurance contributions, and the state ran its own type of provident fund, it would still come in for criticism. There is now a myth that the state can't provide pensions at all. The World Bank, for instance, in its 1994 publication on averting the old age 'crisis' (solution: protect the old by promoting economic growth) states that provident funds are 'a backdoor to nationalisation', its real concern. The World Bank, incidentally, is a public institution that provides its employees with one of the best pension arrangements in the world.

In the Singapore provident fund, where the state provides all pensions management, fees are 1.5 per cent. In Chile, the exemplar for privatisation, the fees have been upwards from 15 per cent.

In fact, countries such as Chile and Argentina, which were the subject of major privatisations of pension provision, have now gone into reverse. Chile is providing state support for people who cannot provide for themselves and Argentina has nationalised its private system.

MYTH

Personal pensions make sense because people want choice and can look after themselves

But the clincher in current pensions mythology is this one concerning 'personal pensions': individuals can look after themselves because they have greater 'choice' and power over how their future retirement income is saved and provided.

In reality, an estimated 40 to 45 per cent of personal pension contributions will be consumed by various administrative fees and costs, providing profits for the pension fund.

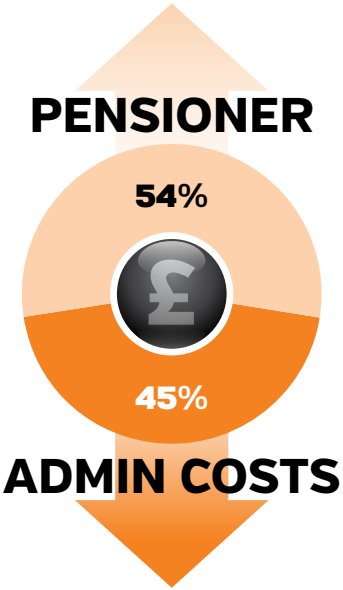
Individual personal pensions have not generated a surge in domestic savings that could support productive investment and economic growth, meaning that pensions cannot in any sense be paid for in advance.

All these pension myths have been a cover over the past two decades or so to expand stock markets, liberalise financial markets and change the role of the state.

What the privatisation of pensions has done is to distribute more income to the financial sector and the highest paid individuals, while relying on the public sector to subsidise them and to support those from whom insufficient profits can be made.

Private pension provision increases rather than lessens the risk of insecurity in old age: the enormous expansion of financial market risk continues to expose pensioners to serious asset meltdown.

This mythbuster draws on *Too Many Grannies? Private Pensions, Corporate Welfare and Growing Insecurity*



The truth about the unions

The media narrative about unions is a familiar one: mindless militants walking out on strike on the say-so of the 'union barons', out only to protect the pay and conditions of a privileged few. But don't be fooled – unions offer organisation and protection for millions of working people, and that's the real reason why the powerful are so keen to spread myths about them.

MYTH

Unions strike at the first opportunity, without a thought for the consequences

Strikes are very expensive – posting ballot papers alone can cost the union a fortune, and each member of the union will lose pay for the time they are on strike. Nobody takes the decision to strike lightly.

When the unions do eventually decide they have to resort to strikes, they discuss with employers to organise emergency cover and ensure that no one is in danger and vulnerable people are not harmed. Home care for the elderly, urgent operations and accident and emergency departments all continue to function. Unions agree with employers that enough people are exempt from the strike to make sure this is the case.

COST OF STRIKING: BALLOTING NO WAGES EXPENSIVE

MYTH

Unions are just a 'lobby group' for workers' selfish interests

Public sector workers are less motivated by their own pay and conditions than by a strong public service ethos. 53 per cent of NHS staff regularly work additional unpaid hours over and above their contract (Annual NHS Staff Survey). The most common reason for working unpaid hours was 'because I want to provide the best care I can'.

Public sector unions play a key social justice role, campaigning for decent public services for all. They would like to be striking to this end, but that is illegal. They are only allowed to take action over their own pay and conditions.

But good conditions are part of ensuring quality public services – after all, services will be better if the workers providing them are secure about their futures, rather than anxious.

Unions can hardly be accused of representing 'sectional interests' when they do so much campaigning on wider issues such as anti-racism and freedom for Palestine.

MYTH

Unions are a thing of the past – a declining minority of the workforce

The unions are constantly renewing themselves. Many trade unions are in fact growing as they reach out to new groups. For example, Unison signed up 160,000 new members in the first year of the Tory-led government – 27,000 of them aged under 30. Unions are also on the rise internationally as more of the world is industrialised and workers start to fight for their rights.

Deindustrialisation and legal attacks have reduced the number in unions in the UK since the 1970s. But with nearly seven million members (National Statistics), trade unions are still the largest voluntary organisations in the country.

And another estimated 3.3 million non-union workers are covered by collective agreements negotiated by a union.

MYTH

Unions are a drag on the economy

Government-commissioned research shows that unions bring an identifiable range of benefits to the economy, and the taxpayer, worth up to £1.1 billion every year ('Workplace representatives: a review of their facilities and facility time', BERR). This is through their contribution to dispute resolution, reductions in workplace injuries and work-related illnesses, and improved take-up of training. There are also productivity gains worth up to £12 billion ('The Facts About Facility Time', TUC 2011) thanks to improved morale and employee

IDENTIFIABLE UNION BENEFITS

WORTH UP TO **£1·1BN** PER YEAR

engagement, among other factors.

Even the International Monetary Fund has published research ('Inequality, Leverage and Crises', IMF 2010) suggesting that union bargaining helps maintain economic stability, by keeping a lid on inequalities and putting a brake on runaway expansions of household debt.

Nobel Prize winning economist Paul Krugman says: 'If we want a society of broadly shared prosperity … we need to restore the bargaining power that labour has lost over the last 30 years, so that ordinary workers as well as superstars have the power to bargain for good wages.'

MYTH

Unions only care about the public sector, where most of their members work

The government talks a lot about how 'unfair' unions are for private sector workers – but workers in the private sector won't benefit one jot from an attack on the public sector.

The public sector's conditions are better because unions have fought to maintain standards in the face of a race to the bottom. Union members' hourly earnings are around 17 per cent higher than those of non-union members.

Unions face enormous challenges recruiting and organising in the private sector because of the nature of much employment. But millions of private sector workers are in unions – and millions more who are not in a union would like to join one. Unions want to level up, not race to the bottom.

According to the British Workplace Representation and Participation Survey, 46 per cent of employees in non-unionised workplaces say they would become members if unions were enabled to recruit and organise there. That alone would easily take total union membership above 50 per cent nationally.

MYTH

Unions are pale, male and stale

In fact, unions have been working continually to address inequalities and secure greater participation and representation of women, black and ethnic minorities, disabled and young people ever since the social movements of the 1970s transformed understandings of inequality and work.

Unison, for example, has over a million women members – more than two thirds of the union. Women's representation is growing across the unions, and many now actively encourage women to get involved and become reps.

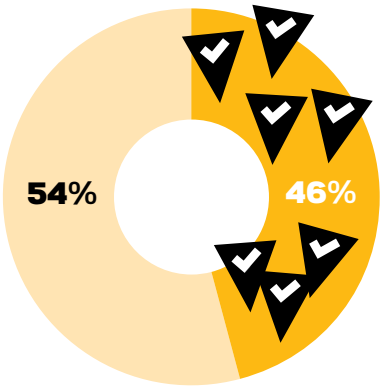
It's taken time and struggle, and there's still a lot to be done, but unions score higher than most institutions on diversity and equalities – including not just businesses but also political parties. Young people today are far more likely to join a union than a political party.

MYTH

Unions are undemocratic, with 'union barons' ordering members to strike

The very role of a trade union is to provide democratic representation of its members in the workplace. The right to form and join trade unions is generally considered to be a fundamental part of any democratic society, and is specifically mentioned in the UN's Universal Declaration of Human Rights (article 23).

Unions spread a culture of democracy. Research suggests high levels of union membership are linked to democratic participation more generally, such as voting in elections and campaigning in the community ('The Everyday Democracy Index', Demos).



WANT TO UNIONISE

Union leaders are elected democratically by a ballot of every member. Policy is made through the unions' democratic structures, such as annual delegate conferences. As with any democratic institution there are flaws, and improvements must be fought for, but in few organisations are the leaders as accountable as they are in the unions.

No strike can take place without the support of at least 50 per cent of those voting by postal ballot. Two out of every three MPs didn't get 50 per cent of the vote at the last general election.

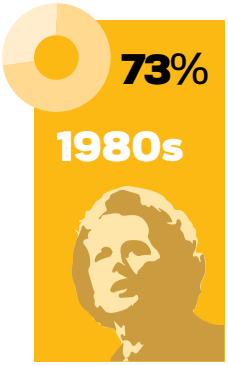
MYTH

Unions are unpopular

Trade unions' portrayal in the media could make you think that they are universally despised. But surveys show that this is far from the case.

Even at the height of the attack on the unions, when MORI opinion polls found a majority of people agreeing that unions were 'run by militants', 73 per cent still agreed that unions are essential to protect workers' interests'. Today 76 per cent say they are essential – and a ComRes opinion poll at the time of the pensions strikes in 2011 found that a majority of the public thought 'public sector workers are right to take strike action'.

"Unions are essential to protect workers' interests"



Tall tales about welfare reform

Welfare reform is almost inevitably contentious. Answering the question of who should receive how much financial support relies on often competing conceptions of fairness, with rival views about who needs, and who deserves, our help. These issues are worth debating – but the current debate is being conducted on shoddy terms. Myths and stereotypes serve not only to unfairly stigmatise claimants, but to obscure the real issues.

MYTH

There is a major problem of 'families where generations have never worked'

The academics Paul Gregg and Lindsay MacMillan looked at the Labour Force Survey, the large-scale survey of households from which we get most of our statistics about who's in work. In households with two or more generations of working age, there were only 0.3 per cent where neither generation had ever worked. In a third of these, the member of the younger generation had been out of work for less than a year.

When they looked at longer-term data, they found that only 1 per cent of sons in the families they tracked had never worked by the time they were 29. What's more, while sons whose fathers had experienced unemployment were more likely to be unemployed, this only applied where there were few jobs in the local labour market. So 'inter-generational worklessness' is much more likely to be explained by a lack of jobs than a lack of a 'work ethic'.

MYTH

Most benefits spending goes to unemployed people of working age

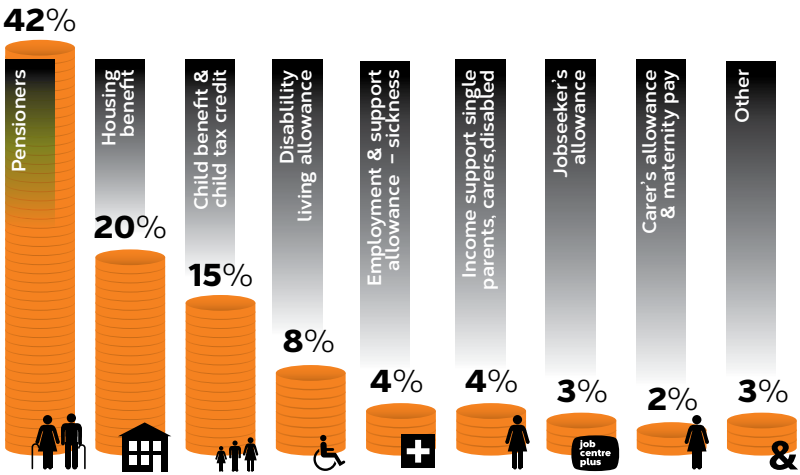
The largest element of social security expenditure (42 per cent) goes to pensioners. Housing benefit accounts for 20 per cent per cent (and about one fifth of these claimants are in work); 15 per cent goes on children, through child benefit and child tax credit; 8 per cent on disability living allowance, which helps disabled people (both in and out of work) with extra costs; 4 per cent on employment and support allowance to those who cannot work due to sickness or disability; 4 per cent on income support, mainly for single parents, carers and some disabled people; 3 per cent on jobseeker's allowance; and 2 per cent on carer's allowance and maternity pay, leaving 3 per cent on other benefits.

MYTH

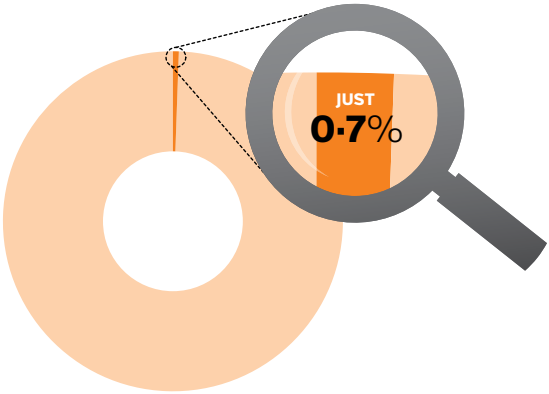
Benefit fraud is high and increasing

Department for Work and Pensions estimates show that in 2011/12 just 0.7 per cent of benefit expenditure was overpaid due to fraud, including a 2.8 per cent fraud rate for jobseeker's allowance and a mere 0.3 per cent for incapacity benefits. Even if we put together fraud with 'customer error' – people who are not entitled to benefits but not deliberately defrauding the state – the rate of false claims is 3.4 per cent for JSA and 1.2 per cent for incapacity benefit.

The claim that benefit fraud is increasing is similarly false. Because there have been changes in how fraud has been calculated over time, we have to



BENEFIT FRAUD



look at combined fraud and 'customer error' for JSA and income support. This declined from 9.4 per cent to 4.8 per cent of spending from 1997/98 to 2004/05, and has since stayed roughly flat.

MYTH

Couples on benefits are better off if they split up

This one has recently been comprehensively disproved by research from the Joseph Rowntree Foundation, who concluded: 'The simplest question that can be asked in testing the couple penalty is: does the benefits system provide a different proportion of a family's daily living needs if they live together and if they live apart? The clear answer from the calculations in this paper is no. The benefits system provides very similar living standards to families living together and apart.'

Research in 2009 for the Department for Work and Pensions looked at whether different benefit systems had any impact on people's decisions about whether to stay together or not. They concluded that 'on balance, the reviewed literature shows that there is no consistent and robust evidence to support claims that the welfare system has a significant impact upon family structure'.

MYTH

The welfare bill has ballooned out of control

The government has repeatedly claimed that welfare expenditure grew unsustainably under Labour. In fact, total expenditure on welfare was 11.6 per cent of GDP in 1996/97; under Labour it averaged 10.7 per cent up to the crash. Afterwards benefits for children and working age adults rose from an average 4.9 per cent of GDP up to 2007/08 to 6 per cent. This is what you would expect during a recession.

MYTH

Most benefit claims are long term

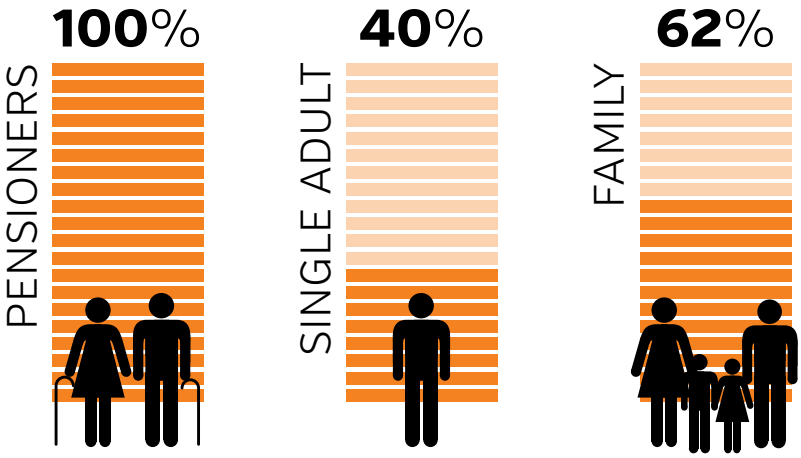
The government persistently frames benefit claimants as 'languishing in dependency'. So how much of the benefit caseload is long-term? It depends whether you count people at a single point in time or look at people moving on and off benefits over a period. The numbers paint a completely different picture.

For example, in 2008, some 75 per cent of incapacity benefit claimants had been receiving the benefit for more than five years, and only 13 per cent for less than one year. But over the period 2003–8, only 37 per cent were long-term while 38 per cent were on benefit for less than a year. So if you count claimants at just one point in time, as government tends to do, you will overestimate how much of the caseload is long-term – and underestimate how many people move on and off benefits over time.

MYTH

Social security benefits are too generous

Out of work benefit levels fall well below income standards based on detailed research into what ordinary people think should go into a minimum household budget. Research by the Joseph Rowntree Foundation found that while pensioners do in fact receive 100 per cent of what people think they need, a single adult of working age receives 40 per cent of the weekly minimum income standard and a couple with two children receives 62 per cent of the weekly minimum.



MYTH

Most people who claim disability benefits could be working

There are two main kinds of disability benefits: disability living allowance (to cover the extra costs of disability) and employment and support allowance (income replacement for those not in employment). The most basic misunderstanding is that the latter is only for people who are 'completely incapable of work'. The welfare reformer Sidney Webb commented in 1914 – in the midst of one of many previous panics about 'true disability' – that the only people who could do no work at all were 'literally unconscious or asleep'. The question is whether suitable jobs exist, and whether these people would be able to get them.

Once we understand this, three problems face us. First, just because we're living longer doesn't mean we're in better health; improved medical care means that many people born with impairments or suffering traumatic injuries are able to live longer. Second, jobs are in some ways worse than in the early 1990s: people have to work harder and have less control over their job, which makes it more difficult for people with health problems to stay in work. And while we now have anti-discrimination legislation, this only forces employers to make 'reasonable' adjustments; the evidence not only suggests these are often limited, but that employers are less willing to employ disabled people as a result.

Finally, many of the people claiming incapacity benefits are people with low employability in areas of few jobs. These are the very employers that are less likely to make adjustments. Some people end up in a situation where they are not fit enough to do the jobs they can get, but can't get the jobs they can do.

Completely incapable of work? Not necessarily. Penalised for their disability by a labour market that has no place for them? Definitely.

Immigration – the real story

‘Britain’s full – we can’t afford to take any more!’ That’s the rallying cry of those who want to whip up anti-immigrant feeling and scapegoat migrants for society’s problems. But immigration is not a flood, a burden, or a drain on the welfare system – in fact, migration into Britain is relatively low, migrants face discrimination not special privileges, and migration offers many benefits to society.

MYTH

The flood of immigrants is unsustainable

The movement of migrants is not just one way. As people arrive, others are leaving. This gives us net migration figures which for most years since 1840 have actually been negative. Geographer Danny Dorling notes that before the economic crash, the number of migrants coming to Britain was roughly balanced with the number leaving. In total, ‘there are 10-14 million people who live here that were not born here – and there are 10-14 million people born here who no longer live here’. So not really a flood at all.

It is also worth viewing Britain’s migration figures in a global context. This shows that our experience of international migration is not at all remarkable, growing in line with world migration. Migrants make up 9 per cent of the population, which is the average for Europe. Britain has a smaller proportion of migrants and lower rates of net immigration than the US, Canada, Australia and several large European countries.

The number of asylum seekers that Britain receives is again average for Europe, ranking 14th out of 27 when looking at asylum seekers per head of population. The UK receives fewer asylum applications than France, Germany, Italy, Sweden and Belgium. As of 2012, the UN estimated that the number of refugees, pending asylum cases and stateless persons made up just 0.33 per cent of the population. In fact, it is the so-called developing world that receives the majority of refugees, with 80 per cent being hosted there.

The past decade has seen higher net numbers of migrants. However, rather than being 'unsustainable', this migration is actually vital for the functioning of our society. Danny Dorling argues that the real problem is actually too little immigration. With a rising elderly population and decreasing fertility rates, we will depend even more than we already do on immigration to provide tax revenues and services.

MYTH

Britain is a soft touch

Successive governments have been making the asylum process increasingly tough for asylum seekers despite their duty under the 1951 UN Convention on Refugees to provide protection to those fleeing persecution. The system is particularly hostile to women as UK Border Agency officials often lack an understanding of gender-based persecution.

A recent report by Oxfam stated that all aspects of the asylum system are flawed and that the entire process should be urgently reviewed. The fast-track system does not give the time needed for asylum seekers to make their case; this and many other issues with the asylum determination process means that often people are wrongly denied asylum. With devastating cuts to legal aid, this situation will only get worse as asylum seekers cannot access the legal advice and support that they need.

When an asylum seeker reaches the UK they are photographed and have their fingerprints taken, they are security checked and issued with an ID card. They are then required to report at regular intervals to immigration reporting centres. They are issued with a letter that informs them that they can be detained at any point during the asylum process.

EU citizens have free movement across Europe under European law – although home secretary Theresa May has been drawing up plans to curb intra-EU migration. But the rules governing the entry of non-EU immigrants are incredibly stringent, with a points-based system that requires people to show documents such as their bank statements and exam results.

It is during detention where, far from being a 'soft touch', the reality for immigrants and asylum seekers is often a hard fist. Medical Justice has documented hundreds of cases of abuse of detainees at the hands of security guards during detention and deportation. Each year, 1,000 children are detained with their parents.

MYTH

They come here for our generous welfare system

Research commissioned by the Home Office concluded that there was no evidence to suggest that asylum seekers had detailed knowledge about the UK benefits system. When someone is fleeing from persecution, they often do not know where their end destination will be; some may choose the UK because they have friends and family here.

Asylum seekers anyway do not have access to the mainstream benefit system. Rather, they have a parallel system of welfare support that provides them with £36.62 a week, 52 per cent of Jobseeker's Allowance.

Surviving on £5.23 a day puts asylum seekers well below the UK poverty line. Those who are refused asylum but are too scared to return home find themselves destitute as they cannot access any benefits. Oxfam estimates that there are hundreds of thousands of destitute asylum seekers in the UK.

Asylum seekers do not have access to social or council housing. They are allocated housing on a 'no choice' basis in 'hard to let' properties. This housing is often of very poor quality. This is likely to get even worse with the privatisation of asylum housing through G4S, Serco and Reliance – all of whom have poor records in managing detention centres and transport and escort services. Indeed, there are already concerns that G4S will repeat its Olympics shambles in asylum seeker housing, leading top officials in the Home Office to monitor the situation closely.

Migrants most often come here to work and they do just that. Many have high skill levels but often find themselves in jobs that do not utilise these skills and are poorly paid. National insurance data shows that foreign nationals are less than half as likely to claim unemployment benefits as UK citizens. Access to benefits for migrants is complex, and as with access to welfare for asylum seekers has become increasingly limited since the mid-1990s.

Research by the Equality and Human Rights Commission dispels the myth that immigrants jump the social housing waiting list. This found that 60 per cent were privately renting, 18 per cent were owner occupiers, and only 11 per cent were allocated social housing. The research found no evidence of abuse of the system nor of 'queue jumping'.

MYTH

They take our jobs

Asylum seekers are not allowed to work, despite often being highly skilled and keen to use these skills. Once their claim has been decided they may work if they have been given refugee status. However, they face many barriers to entering employment. The government has cut the Refugee Integration and Employment Service, which provided them with support in finding a job. Refugees may also struggle to work in their chosen profession as their qualifications may not be transferable or they may face discrimination by employers.

Migrants generally travel to where there are jobs available, often filling vacancies where there are skill shortages. The UK Border Agency's points-based system for non-EU immigrants means that they are only permitted to take jobs where there are recognised skill shortages and if they can prove before entering that they have the relevant qualifications. Numerous statistical studies have shown that there is no link between EU immigration and unemployment levels.

MYTH

They are draining public services

It is our duty, not a drain, to protect asylum seekers. As discussed above, the welfare provision that we do provide is woefully inadequate. A number of other European countries provide more generous support than the UK.

The minimal provision the state provides for asylum seekers and refugees is now being decimated by government cuts with devastating consequences. There have been massive cuts to support services for asylum seekers and refugees and cuts to the Home Office housing budget for asylum seekers. The cuts to legal aid will affect asylum seekers' ability to access justice in a system already stacked against them. Asylum seekers and refugees are being used as an easy target by the government. The Home Office has acknowledged this itself, stating: 'Because the UKBA is not facing uniform cuts, some areas – including asylum – will be required to bear a greater proportion of the cuts.'

Besides, far from 'draining' public services, migrants (including refugees) actually contribute significantly to their funding through their tax and national insurance contributions. They make a net contribution to the UK economy of £3 billion. Because they are often young, healthy, and skilled, their use of public services is actually very limited. Migrants also help deliver many of our public services, working in the National Health Service, education and social care. It is a fact that the NHS could not function without migrant workers.

The myth of immigrants' dependence has obscured the reality of our own dependence on them.

Home truths about housing

Open a newspaper and you'll see page after page of stories about the billions supposedly being spent on luxury housing for people who don't 'pay their way'. But the housing crisis isn't about poor people having too much housing – it's about the concentration of property in the hands of the wealthy, leaving landlords and speculators quids in while the rest of us pay the price.

MYTH

Housing benefit is an over-generous handout to tenants

The Tories and the tabloids have made quite a fuss about the soaring housing benefit bill, which now stands at £23 billion. But the truth about housing benefit is that it is really 'landlord benefit'.

The cost of landlords providing accommodation generally increases very little each year. Yet thanks to the market, rents continue to rise. Landlords then charge whatever they think they can get away with. The extra money spent on housing benefit isn't going to the tenants – it's going to their landlords' profits.

The standard of housing doesn't go up with the prices either. It's a bad deal for the public purse, and a bad deal for tenants stuck in sub-standard homes.

MYTH

Housing benefit is mostly claimed by unemployed people

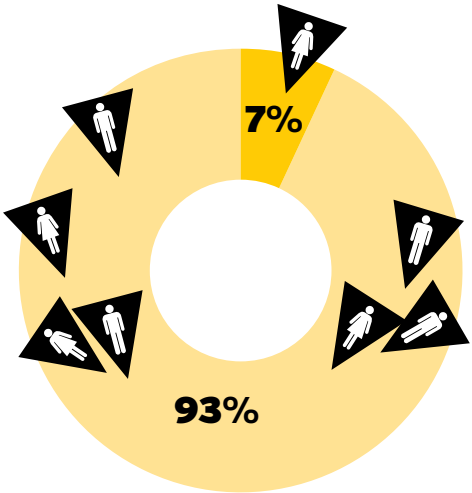
Contrary to the picture usually painted, housing benefit does not mainly go to unemployed people – in fact, 93 per cent of new claims for housing benefit in 2012 were from people with jobs.

Overall, a quarter of recipients are retired, and many are disabled or carers.

HOUSING BENEFIT CLAIMS

7% UNEMPLOYED

93% WITH JOBS



MYTH

Public housing is subsidised

The vast majority of council homes were built decades ago, and the cost of building them has long since been recouped many times over by tenants paying rent to the council. There is no 'subsidy' – far from it, council housing is in fact a public asset that brings in more money for councils in rent than it costs in management and maintenance.

Until last year the government was also taking a slice of the surplus cash – £200 million a year. Now that has been scrapped, but what the government stopped taking with one hand it took with the other, by ending major repairs grants and pushing mostly-fictional 'historic' housing debt onto the councils.

When a council sells off homes, whether under the 'right to buy' scheme or to a housing association or similar, it is trading in a long-term asset for a (usually heavily discounted) short-term cash boost. Ultimately this means the public sector loses out. In contrast, if homes stay as a public asset, they can be borrowed against to support new investment.

MYTH

Migrants can jump the housing queue

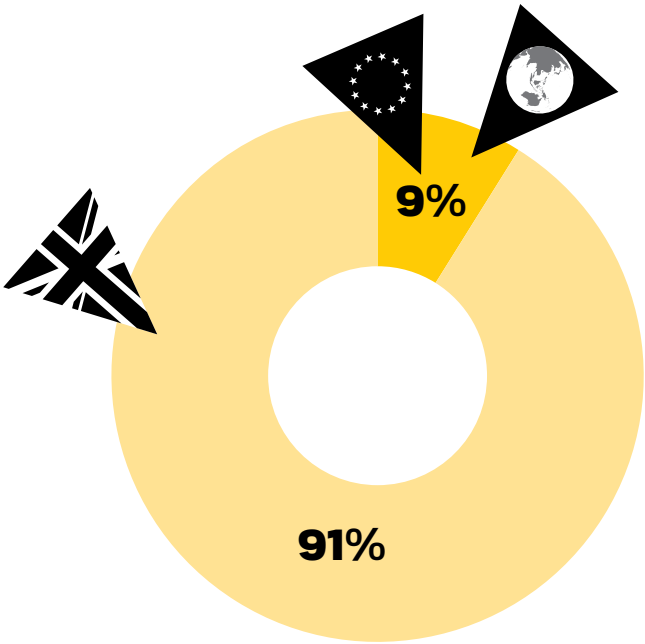
This is one of the most pernicious myths, used to whip up racism by the likes of the BNP but not countered properly by the mainstream parties.

The truth is that most recent migrants are barred from applying for social housing and have to rent privately. Migrants with long-term immigration status can apply but are treated in exactly the same way as British citizens. There is no 'preferential treatment' for migrants.

In 2012 just 9 per cent of social housing lettings went to people who were not British citizens – and half of them were citizens of other EU countries.

In reality, migrants who don't have leave to remain in Britain are treated very harshly. Even if they are homeless, they cannot get short-term hostel accommodation. The only exception to this is if they have children – but while social services may provide somewhere short-term in these circumstances, their focus will generally be to try to deport the family back to their country of origin.

Asylum seekers are not entitled to social housing. Indeed, they cannot get homelessness assistance or welfare benefits of any kind.



MYTH

Having children is a quick ticket to getting a council house

Again, getting pregnant gets you no special treatment in the housing system. The idea of women having kids to get posh homes is tabloid-fuelled nonsense.

A pregnant woman might be entitled to temporary accommodation but only if she did not become 'intentionally homeless'. Until recently, once in temporary accommodation she would be put on the housing waiting list – but unlike others on the list, refusing any offer of housing could get her thrown out. As a result, homeless households tended to end up in council homes that other people on the waiting list don't want. Since last November, councils can send homeless households into private rented tenancies, so there is no longer any link between homeless households and the council's waiting list.

Any woman deliberately getting pregnant (and somehow getting herself made homeless without it appearing intentional) to 'jump the queue' would be setting herself up for a huge ordeal. She would face weeks in a hostel, months or years in temporary accommodation and would then be given one offer of a council flat or house, which she would be told that she could not refuse, whether she liked it or not. The reality is that it doesn't happen.

MYTH

The problem is planning red-tape, causing a shortage of housing

Plenty of housing projects have been given planning permission – in England alone there are 400,000 potential homes with planning consent that have not been built.

The real problem is that the private housebuilding firms have failed. During the boom they built tiny homes at inflated prices, and since the bust they have withdrawn from existing schemes and hardly built anything. Even where there is the will it is almost impossible to get the finance. A state programme of council house building, on the other hand, would break the logjam – and create jobs too.

The number of homes being built is not the whole issue, though. Solving the housing crisis is not just about increasing the supply but redistributing what already exists. That doesn't mean poor people's spare bedrooms but the huge amounts of housing in the hands of second-home owners, people who live in mansions and the like. If housing were allocated by need, instead of ability to pay, the 'shortage' would rapidly disappear.

Challenging this idea of scarcity is important, because it is one of the government's key arguments for the 'bedroom tax'. They talk as if every possible home in Britain is occupied, and so the only thing we can do is use housing more 'efficiently' by fighting 'under-occupancy'. It isn't true.

MYTH

Selling off council housing redistributed wealth to working class people

Thatcher's 'right to buy' did give some people some cash in the short-term – but the housing crisis shows we are still paying the price. Transforming housing from a public good into a private asset played a key part in fuelling the housing market speculation that ultimately led to economic bust and has left us all poorer.

Wealth was quickly consolidated in private hands, as those who could qualify for mortgages and had cash on hand for deposits rushed into the 'buy to let' market. Now we have 'Generation Rent' stuck paying through the nose to private landlords.

Today there are 1.8 million households on local councils' housing waiting lists. It is no coincidence that this is the same as the number of council houses sold off since the start of 'the right to buy' scheme.

CONTRIBUTORS

Ben Baumberg
Kate Bell
Duncan Bowie
Liz Davies
Cristina Delgado Garcia
Declan Gaffney
Isabelle Koksal
Richard Minns
Dr Alex Nunn
Sarah Sexton
Transpennine Working Group of the Conference of Socialist Economists
Tom Walker
Martin Wicks
Luke Yates

DESIGNER
Tom Lynton

PRODUCTION
Tom Walker

PROJECT COORDINATOR
Jenny Nelson

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Unison Northern Region

In memory of Kenny Bell, Deputy Convenor UNISON Northern Region 2003-2011 and initiator of *Red Pepper*'s 'Mythbusters'. Kenny recognised the important role of trade unions in challenging myths, and promoting positive policies around social justice.

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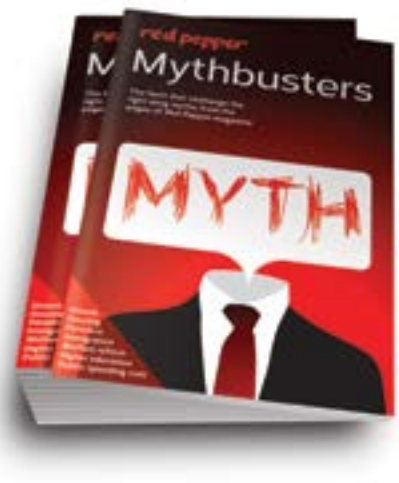

If we are to tackle the myths across society, these arguments need to get out on as large a scale as we can manage.

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Mythbusters

We've all had those moments when a friend or family member casually slips some right-wing myth into the conversation. You know it's not true, but sometimes it's hard to convince people of a fairer point of view.

Red Pepper's Mythbusters are designed to put the record straight when it comes to the tabloid lies that blame the poor for society's problems – and turn the focus on the people at the top who are really responsible.

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