



## 2009 BUDGET DEBATE SPEECH

**Alan Simpson (Nottingham, South) (Lab):** Given the perilous state of the world economy in which the Budget has had to be presented, I wondered whether the Chancellor would open his Budget statement with reference to words used by someone else. I could have pictured him opening with the following remark:

“I would say to the House, as I said to those who have joined this Government: ‘I have nothing to offer but blood, toil, tears and sweat.’”

I would not have begrudged him if he had gone on to include the following words:

“We have before us an ordeal of the most grievous kind. We have before us many, many long months of struggle and of suffering.”

However, this was not a Churchillian Budget and it did not contain a national mobilisation to deal with the severity of the threat that we face. That threat is not only the current credit crunch and global economic collapse. As my hon. Friend the Member for Brent, North (Barry Gardiner) pointed out, it is the sense that as we get through this stage of the crisis we will encounter a series of crises waiting for us in the pipeline. Those will primarily be ecological and resource crises; we will find ourselves facing peak oil, peak phosphates and peak water. Those ecological crises, which involve the limits that nature sets on the way in which we construct our view of economics and society, will profoundly change the whole way in which we have to think about the role of government, governance and economics in the 21st century.

The right hon. Member for Haltemprice and Howden (David Davis) rightly said that we have been living through an era of delusionary economics. My only disagreement with him comes from the fact that one cannot confine that era to the past 10 years, because it is a 20 to 30-year period in which the politics and the economics of the UK have been caught up in the age of avarice. We have presumed that everlasting growth could be based on everlasting consumption, based on the creation of limitless debt. The prophets of that sort of economics are those who brought it crashing to its knees. They were not the bulk of constituents in any of our constituencies; they were the people in the glittering towers of the global finance industry who demanded global deregulation of financial movements on a colossal scale and whose collapse is now requiring everyone else to pay for their profligacy.

My disagreement with the right hon. Gentleman came when he described today’s capitalist system as a parody of Marxist market regulation. In a sense, I would have welcomed anything in the past 20 or 30 years that was a parody of Marxism, but we have not seen any such thing. What we have seen is, in a sense, a squandering of conventional and ecological resources to the point where we face a need to mobilise the remaining resources that we have in a quite different way.

The Budget that we required today needed to be based around three components: honesty, a degree of equity, and something approaching the visionary. I give the Chancellor credit for the attempt at honesty about the circumstances in which the Budget was constructed, but in truth the Budget only tiptoed towards equity or to anything that might be construed as visionary. One of the starting points for the equity agenda is the need to recognise—difficult as it may be

for colleagues on the Labour Benches—that the tax gap between the richest and the poorest has actually widened in the 10 years or so that we have been in government. The poorest 20 per cent. of the population pay some 39 per cent. of their incomes in taxation in one form or another. The tax contribution by the richest 20 per cent. has fallen to an average of 35 per cent., and the very rich pay a considerably lower percentage. I had hoped that the Chancellor would use the Budget as an opportunity to remove dramatically some of the tax cushion constructed over the past 20 years that featherbeds the extremely rich. The opportunities were there to be bolder than he was today.

In my opinion, the Budget should have removed the ceiling on national insurance contributions, which would have given the Chancellor an extra £11 billion of retained revenues in the Exchequer. If the basic rate tax allowance had been applied to all pension savings, rather than the higher rate, the Exchequer would have an extra £6 billion. If we were to attempt to end the profligacy of self-reward in the bonus culture, share-option offers and short trading, we could have introduced a 75 per cent. tax on all such activities. That would not stop those activities, but people would be taxed for the damage done by that short-termist and speculative approach to the UK's economy.

I read an article last week that powerfully made the case for the presumption of a minimum tax obligation. For those earning more than £100,000 a year, the presumption would be that a minimum of 35 per cent. of those earnings would be paid in tax. For those earning more than £200,000, the presumption would be that 45 per cent. tax would be paid. The collection from those shifts in taxation presumptions would give the Exchequer an extra £25 billion with which to mobilise a shift in how we spend, or invest, our way out of recession.

For the record, I should say that I would support those hon. Members who would willingly vote—on a pragmatic as well as a principled basis—to abandon the commitments to the introduction of ID cards, which would save £12 billion, and the Trident renewal programme, which would save £75 billion in lifetime costs. There are much better uses for those resources, which the nation now needs to mobilise very differently.

**Ms Diane Abbott (Hackney, North and Stoke Newington) (Lab):** Does my hon. Friend agree that there is no reputable academic evidence that levels of taxation relate to incentives to contribute to the economy?

**Alan Simpson:** One of the things that has annoyed and confused me over the years is the nonsensical view of incentives. Whenever we talk about what is required to provide incentives to work for the poor, it is compulsion and punishment. But apparently the rich have to be courted, wooed and induced to work. We need a consistent view of what mobilises people. This may be an appropriate time to reverse the presumptions that I have described and, for experimental purposes, woo the poor but punish the rich, but I do not want to go down that path. I want to go beyond presumptions about whom to punish and reward, because the real challenge as we make our way through this recession is to find a different and visionary description of how society can work. For me, the answer is unquestionably to be found in the greening of all future Budgets.

I am pleased that the Chancellor today introduced the first of the annual carbon budgets, and that he has recognised it as a benchmark commitment that is important in global terms in the run-up to the Copenhagen summit at the end of this year. However, it is important to put the UK's performance in the context of the performance of other countries that are not necessarily making the same strategic claim.

The most recent appraisal of the green proportion in governmental intervention measures and stimulus packages introduced around the world puts it at an average of around 15 per cent. In the UK, the proportion is just less than 7 per cent. That makes it hard to describe us as a world leader in that context. Moreover, the most recent analysis of that 7 per cent. suggests that the carbon savings in the green measures are outweighed by the carbon impact of the 520 carriage miles of new road construction that are also part of the package. Our attempts at carbon balancing must achieve carbon-negative Budgets. We cannot disregard the carbon damage caused by one part of the stimulus package that outweighs the carbon gain in another.

**David Taylor:** My hon. Friend is perhaps the most prominent ecological economist of his parliamentary generation, and he will be greatly missed. Does he agree that we should treat the proposal for a scrappage allowance of £2,000 for cars over 10 years old with some caution? It gives the Budget a coat of green paint, but about 20 per cent. of all carbon emissions in a car's life are caused at the point of manufacture, and any savings that may be obtained by cleaner cars that use less fuel should be read in that light. Moreover, only one in seven of the cars purchased in this country is assembled here, so any economic benefit will be restricted.

**Alan Simpson:** Those are important points, and we are going to have to weigh very carefully the carbon footprint of manufacture. Nothing can be made without a carbon impact—that would be like making an omelette without using eggs. That is the difficulty, and the question that we must resolve is how we make sure that the carbon gain of what we do outweighs the carbon cost. That is a terribly important consideration.

My worry about the scrappage scheme is that it is very short term; it expires in 2010. It is cash-limited as well as time-limited, and it attaches no conditions to the nature of the replacement vehicle. We had a decade of voluntary agreements with the UK car manufacturing industry between 1997 and 2007, during which time the industry was supposed to reduce emissions from new cars manufactured to less than 140 g of carbon per kilometre. We got nowhere near delivery of that target.

The successful schemes elsewhere on the continent contain conditionalities that require the replacement vehicle to emit less than, say, 100 g of carbon per kilometre. There are at least eight vehicles on sale in the UK that meet that standard. As I understand it, at least another six will become available this year. It is right to say that green measures will shift us to the consumption of things that tread more lightly on the planet, and away from the consumption of goods that tread heavily on the planet. However, there are no conditionalities built into the UK scrappage scheme proposals that would structurally move us to where we need to be within the next two to three years.

With green measures, I always think that the most important thing to do is to translate the

notion of green or ecology into practical, tangible jobs. Without a doubt, the leader in that field internationally is South Korea. Its stimulus package is around £30 billion, 81 per cent. of which—£23 billion—is to go on green measures. It has set itself some very specific targets. Not all of them will be earth-changing, but they mobilise huge numbers of people. For instance, it is a commitment of the South Korean Government that the lighting in every single public building in South Korea will be changed to light-emitting diode valves this year. More than 1 million light bulbs and light fittings will have to be changed. Every one of those fittings will have to be changed by people who are capable of carrying out the electrical installation. People will also have to manufacture the bulbs. That shift will deliver both jobs and a dramatic reduction in the carbon consumption of all public buildings, and the commitment is that it will take place this year.

South Korea has also made a commitment to build within the next four years 1 million eco-homes, and a further 1 million existing houses will be refurbished to low-carbon standards. The number of jobs involved in that process is massive. South Korea is using directed public investment, channelled through private providers in the construction and contracting sector, to deliver both economic and ecological transformation. It has a quantitative target for delivering change. My experience of trying to do similar work in countries in other parts of the EU shows that wherever a country runs those practical, targeted programmes, today's unemployed, and particularly today's young unemployed, are desperate to be part of it. They want to be part of the solution to today's problem, rather than be defined as today's problem. We have to address their aspirations in the context of the practical jobs that such a green transformation would bring.

I was pleased to see in the Government's proposals an extension of the low-carbon buildings programme. It is a small measure—a commitment of £45 million to extend the programme beyond its expiry date of June this year. The reason why I focus on that is that, although our Government are committed to introducing feed-in tariffs for renewable energy into the UK energy market hopefully by the end of this year or by the beginning of next, almost all the renewable energy sector was saying to us that unless there was a bridge between the end of the low-carbon buildings programme in June and the start of the feed-in tariff regime at the beginning of next year, the bulk of the industry would die. The reality would then have been that, by the time our Government got round to introducing the feed-in tariff regime, the only suppliers catering for and responding to the regime would have been outside the UK. It is a therefore a huge "small" relief. The industry that we have, which has survived despite rather than because of Government policy, will at least still be in existence when we produce the real stimulus to shift us to renewable and sustainable energy systems.

To do that, however, we needed bigger measures in the Budget. At least £100 billion ought to have been allocated to the creation of a green infrastructure bank. Some of the moneys raised from the tax changes that I mentioned earlier could have been used. More importantly, we need to understand that we are currently putting about £50 billion a year into UK pension funds. The difficulty is that those funds are still circulating in pursuit of short-term returns within a speculative and almost paranoid global financial market. We need to give people the capacity to invest in their own ecological future and their own pension security. A green infrastructure bank, underpinned by that sort of funding, would be an essential part of the transformational

shift that we must make.

I mentioned the shift into feed-in tariffs by the end of the year. Some Members of the House may be aware that, somewhat belatedly in my parliamentary career, I have been appointed Government special adviser on the introduction of feed-in tariffs.

**David Taylor:** Bought off.

**Ms Abbott:** Bought off.

**Alan Simpson:** Bought off, I hear from my friends and comrades. I welcome the ritual denunciation, but I ask them to hold fire because there is a gap between that appointment and the fact of not having a single meeting with officials at the Treasury or the Department of Energy and Climate Change to drive that through. All my experience suggests that there is an intellectual inertia at the core of our civil service that blocks the introduction of radical and dramatic changes, because civil servants have been caught up in a 20-year culture of non-interventionism. They would just like someone else in the market to do it for them, rather than taking hold of the responsibility for driving the change.

To make matters easier, in default of the civil servants doing any work on the framework for introducing feed-in tariffs, I have produced a document myself, which sets out exactly the sort of tariffs that would make viable the introduction of feed-in tariffs on photovoltaics, biodigesters, solar thermal—the whole range of renewable technologies that we could and should be supporting. It will require someone to drive that through, and that, for me, is what is missing from the Budget: the willingness to drive aspirations into deliverable and measurable policy changes within a defined timetable. If we are to do that, it would be a great advantage to recognise the points that were recently made about where our current business-as-usual case would take us in UK energy accounts. The business-as-usual case will take us into a huge deficit in the balance of payments for the consumption of energy by 2020. That is on the conventional plan.

However, a fascinating report came out this week from Delta Energy and Environment which points out that a dramatic shift into UK renewables would not only see us delivering more than 15 per cent. of our energy requirements from renewables by 2020, but more importantly would see us with a £12.5 billion surplus on our energy account—primarily because the jobs and services would be delivered for ourselves, rather than our being dependent on external suppliers for our energy security. That is the direction in which we must drive our efforts.

The same applies to our existing housing. The reality of environmental transformation is not to be found in how many eco-homes we start to build after 2016. It is what we do with the 25 million properties that people live in today. If we want a jobs agenda that makes consistent sense with the environmental and training and skills agendas, we need something that will radically transform the quality of life of people in this country's 25 million housing properties. That is why I began my speech with a reference to Churchill's wartime Budget statement. I suspect that, for the remainder of my lifetime, we will have to address crisis—mobilisation-style—Budgets to take us through one crisis after another. I say that not to scare people but

simply to point out that the situation requires us to step up to the plate—to be big enough to govern our way through that transformation and those crises. It will require us to mobilise people in a way that we have not been used to doing for 20 years or more.

My pitch to the Prime Minister and to the House is that Gordon needs a carbon army. That carbon army should comprise many of the 2.1 million people who are out of work and hungry for meaningful, secure, long-term and transformational jobs. If we could harness the desire for work to structured plans for transformation, we would have a Budget that was the saving, not so much of this Government but of this society for future generations. We require Budgets that live more lightly and sustainably on the planet. Sadly, today's Budget is several steps away from that. I urge Ministers to think again and find the courage to step in and act in transformational terms to save the ecological future of our society and our country. It is infinitely more important and urgent than the situation in which they found the courage to intervene to save a banking system that, some would argue, would have been better left to collapse.

We can survive in this society if we rebuild banks on the basis of securing people's savings, not of guaranteeing speculative debts. We cannot survive as a society if we squander the ecological capital that our children and grandchildren will need to draw on if they are to survive and prosper.