



BUDGET RESOLUTIONS & ECONOMIC SITUATION BUDGET DEBATE SPEECH 2010

Alan Simpson (Nottingham, South) (Lab): I came into the House 18 years ago frustrated by a Government who had sold the pass on manufacturing in favour of a dangerous flirtation with speculative and deregulated finance. So, a lot has changed in those 18 years.

We are where we are because of the mess that speculative and deregulated finance has taken the UK and global economy into. We currently hover somewhere between recession and recovery; with the good news being that unemployment is falling and the bad news being that employment is also falling. The fear is that, at the coming election, the public could be faced with a choice between the Tories, who would take Britain into a double-dip recession, and a Labour programme that could offer the prospects of jobless growth and kinder cuts. The House and the country need a bigger vision to be put on offer at the general election.

I remind the House that it was not public services that took the UK into the economic crisis; it was bankers and speculators who played around with the casino economy at the expense of the real economy. As a Parliament, we have failed to remain focused on that. Instead, we have allowed the debate to be shifted into a narrow argument about whose cuts will be the gentlest. I agree with the Treasury Committee that Parliament and the Government have missed a huge opportunity in failing to take up the prospect of breaking up the banks in the way that the hon. Member for Stratford-on-Avon (Mr. Maples) has outlined; by separating the retail, high-street functions of banks that deal with the receipt of our wages and savings from the banks that want to go into the more speculative parts of the casino economy. If they are going to gamble, let them gamble, but they cannot be underwritten by a public bail-out that has to be paid for at the expense of public services. We are asking the wrong people to pay the price of the crisis that we have been thrown into.

I happen to believe in the value of a tax on speculative transfers, which would not necessarily be a tax on high-street banking. The idea was first introduced by the economist James Tobin in 1985. The great advantage of a 0.05 per cent transactions tax is that it would not harm long-term, serious investment in any way, but it would do tax damage to those who move money around by the hour, minute, second and microsecond. We ought to take a punitive tax view of such destruction of the real economy.

The House needs to ask itself what has been achieved for the country by the £185 billion bail-out of the banks. The reality is that, in the current recession, there has been a contraction in the economy of £80 billion, £46 billion of which has been a cut in investment. It is right for us to ask ourselves whether throwing that quantum of money into bailing out the banks has done harm or good to the real economy.

Another economist, the late John Kenneth Galbraith, described this approach as the horse and sparrow philosophy. It was the thinking that if one needed to feed both a horse and a sparrow, one could simply feed as many oats as possible into the mouth of the horse. Some of it would eventually pass straight through and feed the sparrow on the ground. Galbraith simply pointed out that there were better ways of feeding sparrows. The same message needs to be passed to

the Treasury and the Government today. There are better ways of feeding the sparrows who keep our manufacturing economy going than throwing money into the banks. Despite what we say in the Chamber about interest rates, if we talk to companies that are trying to get access to credit, we hear that they are currently facing charges of 14 to 15 per cent. There is nothing like a near-zero interest rate in the real economy in which they are trying to survive.

Like the Secretary of State for Communities and Local Government, I believe that the focus needs to be on jobs, and I think it needs to be on green jobs. For a moment, I got really excited about the proposal to create a green investment bank. However, page 105 of the Red Book states that

"the Government intends to create a Green Investment Bank, with a mandate to invest in low-carbon infrastructure. The Government will start by investing up to £1 billion from the sale of infrastructure-related assets and will seek to match this with at least £1 billion of private sector investment".

That amounts to not spend-to-save but sell-to-loan, and on a scale that is pitifully unambitious. We can look at the opportunities that were missed in the Budget. Since 1999, when the Government introduced individual savings accounts, 19 million people have put about £175 billion of their tax-free savings into ISAs. Yet we have never sought to direct what those ISAs could be used for. If we had made them conditional on green infrastructure investment, we could have had that £175 billion pot as a condition of the tax concessions we offered. We could have done exactly the same through conditions attached to pension tax relief. We could have said to the bank that we currently own, the Royal Bank of Scotland, that a defined percentage of its investments and lending had to be focused on the delivery of green infrastructure.

The reality across the international landscape is that other countries are driving their economic recovery, and job generation programmes, by taking themselves into a different space, post the crisis, from the one that they occupied before it happened. The Budget fails to follow those leads. Many years ago, my father tried to explain to me, in simple terms, that life is an economic money-go-round. One simply has to ask oneself where the money gets on, where it gets off and who walks off with it. The Budget fails to have the courage to redirect the money-go-round. It is the task of Government not to retreat from the large challenge of redirecting the money instead of arguing who should make do with less.

Let me give an example from Germany. Some time ago, I brought to the UK to meet UK Ministers a sophisticated, urbane politician called Hermann Scheer, the architect of Germany's feed-in tariff legislation. During the ministerial discussions, he was told, "That's all very interesting, but it's a heck of an expensive interventionist policy to pursue." He politely gave a cameo example to show that the exact opposite was true. He pointed out that the average German citizen spent €3,500 on annual energy costs in the home and the workplace. So the average German Lander—a county or region of about 1 million people—spent €3.5 billion each year on purchasing its energy. He said that most of the energy purchases came from external sources—third countries or multinationals. The money was thrown out of Germany's windows to enrich others.

Scheer explained that all they did was to change the way in which they thought about the money-go-round. They realised that by simply spending €3.5 billion a year-the same sum-on themselves, they could find a way out of the recession rather than digging themselves deeper into it. That sort of fundamental rethink about the workings of the money-go-round needs to find roots in this country, this Government and this House.

Countries that pursue such a line find that they gain job security and economic security, that their Exchequer has increased tax revenues and that they get energy security. The same can apply to food policy and water security. However, it requires us to break away from the myth that interventionism is a pitfall for all Governments. I find it sad that we have inherited a fear of picking losers rather than winners. This has made us retreat behind an unstable and unconvincing belief that deregulated markets will take us out of, rather than drive us into, a crisis.

Sadly, it is certain that Conservative proposals would plunge us back into crisis and that the Labour Budget will not take us out of it. We need something more; something which will break the hold that speculative finance has on the UK economy. We need something to break the power the energy cartel has to define the short-term nature of the UK energy market and make incessant demands for corporate subsidies. We need something that intervenes to break the power of multi-commodity traders to undermine UK food security and define the basis of an unstable and unsustainable UK food policy. We need a Government who are unafraid to wrest power from the exploitative and unsustainable in favour of those who want their ecological footprint to be sustainable. Will we get that at the coming election? I suspect not.

I will not be part of the next Parliament. I am simply following my mentor, Tony Benn, who said that he was leaving Parliament to spend more time in politics. As a parting promise, I say to the House that I shall seek to be part of the social movements that ensure I am as much of a pain in the backside to this place from outside Parliament as I have tried to be inside Parliament. I hope to bring constructive discomfort to all those who stand in the way of the future that Britain needs.