

GORDONS NEED FOR A CARBON ARMY



Forget the tabloid obsessions with sleaze, sex lives and spin. The period running between the G20 conference in London and the next General Election will come to define Labour's relevance to 21st century politics. The twin pillars upon which Labour's credentials for government will be judged are the Chancellor's forthcoming Budget, and the Prime Minister's subsequent programme for a transformational next parliament. Inevitably, it is the Budget that commands immediate attention.

Perversely, the Tories have taken themselves out of the debate before it starts. Alone in the world, they argue for a balanced budget in the face of a global recession. Every recession that has progressed into a Depression (and thence to war) has been done so by refusals to act counter-cyclically in an economic crisis. What we need is a 21st

century equivalent of Roosevelt's New Deal. The only model to fit the bill is a Green New Deal.

As an answer to spiralling unemployment, the Chancellor has to launch a national economic mobilisation; creating a carbon army to transform the whole shape of the UK economy in less than a decade. He has to deliver a Budget that is radically re-distributive in both economic and ecological terms.

I will come to the ecological transformation in a moment, but let us begin with equity. Since Labour came to power in 1997 there has not only been a burgeoning growth in the incomes of the rich, but also an embarrassing fact that the richest 10% of the population now pay a lower proportion of tax on their incomes whilst the poorest 10% pay more.

Much of this has been made possible by the labyrinthine complexity of loopholes and allowances created by the Treasury itself. An economic crisis is the perfect time for streamlining the system. It begs the question of whether an orthodox Chancellor can turn his back on the orthodoxies that have taken us into this crisis?

Some parts of the unravelling are fairly simple. The Government regularly complains about the pernicious effects of the 'bonus culture' in banking and finance. This could be tackled by a 75% tax on any bonus over (say) £10,000. Similar scams, such as share options, should be taxed on the same basis. So too should 'short-trading'. If people want to gamble against the economy, let them at least be taxed for the damage they do. The same tax treatment should apply to the companies (and shareholders) who loan out their shares - for a fee - to those who wish to play such games with speculative capital.

For the rest, there is a compelling case for setting a minimum tax obligation that applies to higher (gross) incomes. Requiring those on over £100,000 a year to pay a minimum of 35% tax (and those on over £200,000 a year, 45%) would make things look a bit more equitable. It would certainly be fairer to the poor, who can pay marginal tax rates of 90% (or more) at the interface of the benefits - and wage -

systems.

This would give the Chancellor more room to manoeuvre than his critics imply. The question is, what should he do with it? That's where the carbon army comes in.

Britain has very little time left to transform itself into a sustainable economy. Already, the press have grasped what this might mean in the shift into electric /hybrid vehicles. If we give people £5,000 when they scarp an older vehicle for one with carbon emissions of less than 100 grams/km, it would boost manufacturing jobs that shift the UK towards a less polluting future.

The same thinking has to apply to housing, food and energy. Britain is pledged to introducing preferential 'feed-in' tariffs by 2010. The danger is that we could have killed off much of our renewable technology industry by then. Current grant aid schemes are ending by the summer. Without a financial bridge any growth, post 2010, will be imported. Someone else's carbon army will laugh at our carbon incompetence. But turn this round and we have a programme to deliver jobs, skills, warm homes and sustainable energy...all starting now.

So too with food. As oil runs out and global water crises run riot, national food security will be back on the political agenda. We already have examples of hospitals that have thrown out 'cook/chill' food contractors and replaced them with networks of local farm suppliers. In doing so, they are doubling nutritional standards, widening menu choices, creating farm jobs and reducing the carbon footprint of their food miles. It is just a different way of national accounting – on a long-term ecological basis rather than a short-term financial one.

Labour's challenge is to grasp that the public may have been ready for this long before the politicians were. One way of testing the idea is to set up a Green Infrastructure Bank. It could be backed by Green Bonds, offered to Trade Union pension funds, and individual savers, as a way of giving themselves (and their grandchildren) the chance of a secure future. At least £100 billion could be leveraged by this into Britain's transformation to a low carbon economy.

The challenge is to see this crisis as the opportunity to construct a radically different future, rather than to reconstruct a ridiculously insecure past. We will soon see whether it is the Labour Chancellor of the Treasury ideology that has passed their sell-by date.