

Some more Inconvenient Truths
Presentation by Paul Holmes MP at Liberal Democrat Harrogate Conference 3rd
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The 'elephant in the room', 'the emperor's new clothes', 'an inconvenient truth' – there are many ways of describing the phenomenon whereby no one dares to challenge the received wisdom of the time even though the evidence to the contrary is staring them in the face. Al Gore's film has done a superb job of bringing home to Americans the inconvenient truth that, contrary to the propaganda of the oil funded lobbying industry in the USA, Global Warming is indeed a man made threat of growing proportions. There are many other inconvenient truths, on the UK domestic scene, that also need exposing by rational analysis.

The UK is for example sleepwalking into a social crisis of massive proportions over social housing. Forty years after 'Cathy Come Home' shocked the nation, waiting lists are soaring and social housing is in sharp decline. Since 1997 Council waiting lists have increased by half a million (from one to one and a half million), which not entirely coincidentally is the same as the number of Council Houses that have been sold off under Right to Buy legislation. In some areas the situation is worse and contrary to Government preconceptions that is not just in London. In Chesterfield and Sheffield for example waiting lists have not increased by 50% they have actually trebled In Bolton they have more than quadrupled from 5,000 in 1996 to 23,700 today.

There is too a structural imbalance in the social housing that remains, with too many flats (built in the 1960's and '70's for a young population), and too few OAP bungalows for today's ageing population. Meanwhile Right to Buy meant that family houses in the best areas were snapped up first and today there is a severe shortage of such accommodation for young families in the rented sector.

All this represents a human crisis for those involved – who I see weekly at my constituency surgeries. It also represents an open goal for racists and xenophobes from the BNP to UKIP. Even in Chesterfield, (97% white), I am often told that 'they' are taking our council houses when in fact the small non white population in my constituency mostly live in privately owned property.

The answer to all this? The Conservatives, as evidenced in a recent Parliamentary debate, talk only of letting private house builders solve the problem. New Labour say much the same but do at least see a limited role for Housing Associations – though none at all for Councils who have had the system rigged against them in an attempt to force the privatisation of all remaining council property. The private sector will we are told provide 'affordable housing' to buy and to rent. Anyone who questions the rationale of this is dismissed as a dinosaur.

Those however who can see beyond the emperor's new clothes would disagree with this analysis. The private sector failed to meet the challenge in the nineteenth and early twentieth century. Yes they produced model estates in places – Port Sunlight, Arkwright's village at Cromford, Strutt's housing in Belper, but the majority product was the cheap disease ridden slums of Sheffield, Manchester, Leeds and London. That is precisely why far sighted politicians, in the twentieth century began to clear the slums and build council estates in their place. Many of these slum estates were still with us as late as the 1950's.

In the twenty first century though surely the climate is a different one? Well private builders may no longer be allowed to build slums but how many of you have ever compared cramped family accommodation in so called 'Town House' style dwellings with the substantial family

houses and gardens of the traditional council estate? With land in the cities at a premium what private developer wants to provide 'affordable' housing when so much more profit can be made from more upmarket properties? Above all, do we really believe that with 71% home ownership, already, the highest in Europe, that the remaining 29% can easily move onto the property owning ladder? Even key workers in well paid steady jobs like teachers, nurses, police and fire officers cannot afford to buy in many areas, so what hope is there for the low paid or the unemployed, the single parents, the sick and the elderly?

Ruth Kelly's recent speech, obsessing with selling a 10% stake in their home to the poorest in society, shows just how out of touch with reality this government is. Yes, rent to buy, golden shares and all the other schemes have their value. Right to buy? - fine if the money goes back into building new social housing, but it doesn't. No, I do not want to return to the vast impersonal council estates of the 60's and 70's – although the one I grew up on in Sheffield was a good place to live. Yes we need to tackle sink estates starved of investment throughout much of the last 30 years. But the prevalent 'truism' that we can leave it to a benevolent profit driven private sector to resolve these problems is dangerous wishful thinking.

It seems to me that there are many similar 'elephants in the room' that are studiously being ignored. Keynesian economics we are told is dead and the record 12 years of economic growth we are enjoying owes everything to 'Maggie, Monetarism and Prudence'. Yet even stripped of the spin and double counting it remains true that the UK has seen considerable public sector investment in recent years, albeit through the more expensive PFI route in many cases. Whether PFI or direct public investment, the school and hospital building programme plus the increased numbers of police, PCSO's, teachers, teaching assistants, nurses and doctors all ring a historic bell in my mind. Now lets see what did I learn in economics all those years ago – ah yes –if it walks like Keynes, smells like Keynes and talks like Keynes then perhaps Keynes is not dead after all? Meanwhile would any serious commentator, (I do discount many Conservative MP's and the Tory press here), argue that we did not need this investment in Health, Education and policing?

Several elephants inhabit the Tuition Fees room. Fees we are told, not least by CentreForum, are a great success, do not affect student access or choices and are the only way to fund world class and expanding Higher Education. In fact lifting the cap and charging commercial rates of interest on student loans are a 'win win' proposal too. Except.....In Australia where the experiment we are copying began ten years ago, we now see that the country with the second highest student fees in the OECD is also the only country in the OECD where student funding per capita is falling. Why? – because the Australian Government used Fees as the excuse to cut public funding for higher education. It wouldn't happen in the UK of course – although the first tranche of £1,000 Fee's did see the Government cut funding by exactly the same amount! Of course we can trust our Government, after all they would never say they had no plans to introduce fees (1997 election) and then introduce them or say they were against top up fees (2001 manifesto) and then introduce them – would they?

At least however fees do not affect student access – do they? When the Education and Skills Select Committee visited Australia last December we were assured by Government spin doctors in Canberra that, after 10 years, there was no evidence of this. Whoops, they forgot the Government survey that they suppressed until it was revealed under a Freedom of Information request. Then there was the research that showed working class male undergraduates choosing shorter and cheaper Arts and Humanities courses in place of longer and more expensive Law and Medicine degrees. Meanwhile working class female graduates are delaying childbearing longer than their middle class counterparts due to the debt overhang of student fees. Numbers of Indigenous (Aboriginal) students have fallen too.

This of course will not happen here in the UK. After all a 9% marginal rate of taxation when you start paying off your student loan, as soon as you reach £15,000 of earnings (well under national average earnings), is no problem at all! Neither will those differential fees of £5,000 to £11,000, (after the cap comes off in 2009), be an issue. Honest!

So why exactly is it absolutely unacceptable to invest in Higher Education from public funds and then recoup the money through a progressive tax system as we do for education from ages 4-19? Or should we start charging fees for post 16 education too? Why not variable fees for the Academies and Trusts after all they do that at the schools that Blair and Cameron attended? Best move on there is a herd of elephants coming this way.

Another inconvenient truth – perhaps the biggest - is the one about taxation. All ‘responsible’ politicians, plus the irresponsible and mainly right wing media, tell us that we are a heavily taxed nation. Worse still all that tax money is said to be wasted – although quite how you employ more policemen, customs and border officials, teachers nurses and doctors, without spending money I am not sure. Let alone building schools, hospitals and – whisper it quietly – social housing fit for the twenty first century. Did anyone mention public transport?

However the truth is a little different. Back in 2003 I wrote, in *Liberator*, that “The most recent figures from the OEDC show that in 2002 Britain at 35.9% of GDP paid the fourth lowest tax take of the [then]15 EU countries, personal taxation is among the lowest in the EU and our national debt is among the lowest of any G7 country.” Four years later how have things changed? The Tory/tabloids would have us believe that we groan under a crushing burden of taxation. Yes our tax burden has increased, despite Brown’s assurances that it would not need to, in elections where he denounced Liberal Democrat proposals for carefully costed increases and public investment as dangerous.

The reality however is that we now pay a personal tax burden of around 38/9% of GDP. .This has ‘soared’ to - the Western European average! In 2006, after all the ‘massive and record breaking’ investment in Education, we actually reached the Western European average level – after 30 years of underinvestment from Labour’s IMF cuts of 1976 onwards through the Thatcher years. In 2008 we reach the Western European average level of investment in Health! How many years of average investment are needed before health and education are up to standard? Perhaps we should ask Tony Blair, Ruth Kelly Diane Abbot and David Cameron who have all in recent times felt the need to avoid ‘ordinary’ state schools for their children.

This tax picture of course is not one most people will recognise as politicians and journalists cherry pick their examples to imply that our ‘massive’(i.e. average), tax burden is both untypical and wasted. Anyone remember the journalist who injured himself on holiday and wrote glowingly of the French insurance based health system - without of course pointing out that France spends more tax payers money on health than Britain, before the personal insurance even begins to kick in? Regrettably even Liberal Democrat politicians repeat these misleading examples. What too of the USA where their university fees and student debt fund a world class University system – but the Government actually spends more on Higher Education as a proportion of GDP than any Western country, before Fees are even taken into account? While Britain spends less than most. What of those much praised European public transport systems – heavily subsidised from public funds? What of the Scandinavian child care system, much praised after the recent UNICEF report which damned the UK. for its dysfunctional treatment of children. Having visited Sweden, Finland, Norway and Denmark

I have seen their excellent child care and educational systems and the high taxation levels that make them possible – a massive 55% of GDP in Sweden for example.

Few democratic countries would tolerate the high Scandinavian levels of taxation and it may be that the British are simply not prepared to pay even around average taxation for the quality of Health, Education, Public Transport or indeed Pensions that they so admire in other countries. Perhaps they do prefer J. K. Galbraith's private affluence and public squalor?

On the other hand I recall Liberal Democrat policies for a Penny on Income Tax in 1997 and 2001 and in 2005 for a 50P rate on those who earn over £100,000. In each of those elections we successively gained our best ever result for 70-80 years. I recall too polling showing that the electorate supported tax increases if they paid for better public services. Last year I happily supported the Liberal Democrat greener and redistributive tax policies along with our policy of identifying £15 Billion of public spending that can be spent more wisely on other priorities. That's the equivalent of an extra 4P on Income Tax being spent on public priorities instead of on ID Cards or guaranteeing arms exports to dodgy dictators. But what if the full £15 Billion cannot be identified? What if average taxation levels cannot deliver what the voters want? Should responsible politicians sell the pass to the Murdoch/Mail consensus or should they spell out the alternatives?

One alternative is to raise the money through less progressive and more dubious means. Expand the casino culture and rake in the regressive gambling taxes for example. Pile on the Tuition Fees. Sell the case for 'personal' Health Insurance. All of these methods mean that the individual pays more by the backdoor and that they do it in regressive ways and/or ways that disadvantage the poor. As we see in the USA with it's widening gap between rich and poor and its Third World maternity death rates (for the poor). Or we can make the case for at least maintaining average levels of taxation and consistent public investment rather than bottling out with tax cuts after a year or two.

Finally what of the thread that runs in one way or another through most of the inconvenient truths discussed here? The Public sector Borrowing Requirement is the ghost at the feast. It is a kind of voodoo economics that stipulates that public investment is debt and is bad but that private investment is economic growth and so is good. As result we get the funding of essential Higher Education offloaded to regressive and inequitable fees and loans because the loans are 'off the books' of the Treasury. Council tenants are forced into a shotgun divorce from the Council because Housing Associations count as private sector and so any housing investment that does take place is 'good growth' rather than 'bad debt.' Schools, hospitals and other infrastructure are built through more expensive and democratically unaccountable routes such as PFI because that way they are more likely to be kept 'off the books.'

How will Liberal Democrat policy deal with this? All our fine words on localism and devolved power will mean absolutely nothing if we retain the centralised hand of the Treasury on the purse strings. In Stockholm (and on a return visit of theirs to London) last year, I tried to explain to an uncomprehending group of Swedish politicians how the UK was the most centralised democracy in the Western world with 90% of taxation raised in London and distributed with demands, threats and limitations by the Chancellor. These politicians, in the Greater Stockholm area of 2 million people ran the police, fire, education, health and many other services without Central Government control – but they raised their own taxes to pay for it. I have seen the same in Illinois, California and Nebraska. Across Europe this is the norm.

Changing the centralised financial control from No 11 Downing Street is a key part of the political revolution we need. As important as devolving centralised power over local government and public services such as the NHS. As important as devolving and democratising the unaccountable Quangos. As important as introducing Proportional Representation to make devolved local and national government accountable and responsive to the voters.

Or is that an inconvenient truth too far?

Paul Holmes MP