

The case for public investment

Paul Holmes

As the economy falters for the first time in nearly 14 years tax receipts are falling and any Government will either have to borrow more, increase taxes or cut public spending. The Tories have committed to maintaining planned Government spending for two years should they win the next election (just as Labour committed to maintaining Tory Government cuts from 1997 -1999). David Cameron has warned that the state of the economy could actually mean a Tory Government would have to RAISE taxes rather than cut them. On the 16th July the Daily Telegraph (of all papers) reported that in Britain, “Despite having by far the highest household net income [in Europe]...Public spending on health and education is below average...”

Meanwhile, the next day, on the 17th July Nick Clegg launched ‘Make it Happen’ and proclaimed Liberal Democrat policies to CUT public expenditure in order to CUT taxes!

Only by 2006-2008 have we reached average Western European levels of taxation and public investment It does of course take more than a year or two of ‘average’ levels of spending to remedy the 23 years of constant underfunding our public services endured from the IMF cuts of 1976 through Thatcher and on to 1999. By 2001 public investment was only back to the levels both Liberal Democrats and voters alike had condemned as being shockingly inadequate in 1997.

I taught in state schools from 1979 to 2001. By 2001 things were starting to improve from the previous underfunding, crumbling schools, constant staff cuts and rising class sizes. I have seen them continue to improve as my three children have gone through their schooling and the same is true of the NHS. None of that is to deny that Labour have wasted a great deal on botched schemes and central dictat.

We still have among the worst state pensions, largest class sizes, worst public transport and the worst child care provision among comparable Western European countries. Over nearly 40 years from 1970 to now Denmark has spent an average of 8% of GDP on its public health service compared to our 6% average on the NHS. You can pay for services such as health through progresive taxation, a form of mutual insurance which benefits those on low and middle incomes, or through private insurance and NHS top up payments which penalise them as in the USA. That debate needs putting clearly to the electorate rather than seeking to please tabloid editors and opinion pollsters.

I successfully argued at Conference for the policy of cutting Income Tax to 16p, the lowest since 1916, and funding that by the Green Tax switch and closing tax loopholes and benefits enjoyed by high earners. Neither do I disagree with switching £16 Billion of Labour spending onto our policy areas-such as ID Cards into more police officers.

I am profoundly unhappy however with proclamations that we are now seeking to cut an initial £4Billion of spending in order to cut taxes further -less than a penny on

Income Tax compared to the 4p cut we are already proposing. Abolishing all prescription charges would cost under half a billion. Providing the barred Alzheimer's drug less than that. We are being told by some in the Party that we will have to abandon our opposition to Tuition Fees because we cannot fund it –yet here we are saying that we can find £4Billion for tax cuts.

Let's debate this fully at Conference, because cutting public investment to pay for tax cuts is not yet our party policy –whatever the press were told in July.

Paul Holmes is MP for Chesterfield