

Scottish Socialist Party

Alternative UK Budget

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Towards an SSP alternative economic strategy

The Scottish Socialist Party opposes the economic strategy adopted by the Tory/Liberal coalition. We propose an alternative strategy based on equality, democracy and sustainability which would deliver a better economic future for the country and a better quality of life for the people. This Alternative Budget outlines the 'people not profit' policies that the SSP advocates.

How did we get here?

The UK government debt and recurring deficit has arisen because of the economic collapse following the banking crash of 2007 and the government bail out of these same banks. The economic problem can be understood as a quantity of bad debt which arose from housing speculation between 1997 and 2007, was then transferred into the banks as bad debts in 2007, and which was then taken on by the government during the bail out. The government is now forcing ordinary working people to be lumbered with the debt in the form of massive public service cuts, job losses and higher taxes.

It is our belief that ordinary men, women and children in this country and around the world should not accept this debt burden. This is a debt which has been created and encouraged by capitalism and the wealthiest in society. Justice requires that the greatest burden should be shouldered by the capitalists. If the Tory/Liberal coalition implements the cuts and privatisations outlined in this budget, we will simply suffer another economic collapse in another few years because the job losses will reduce demand so much that it will cause a further recession. Unfortunately, the government's attempt to generate more economic growth might also just tip the balance to create an environmental collapse. The people of Europe are now rising up against public sector cuts and privatisations. Millions of people in Greece, Spain and Italy are now protesting in the streets. We also need to rise up in protest. This document begins to explain how an alternative economic strategy could save the economy, save democracy and save the environment.

The SSP is in favour of an independent Scotland and sees independence as a key step in delivering socialism and democracy. At present most of the important economic decisions affecting Scotland are taken at Westminster by the Chancellor of the Exchequer. The SSP seeks to build support for an alternative budget with like-minded groups elsewhere in the UK. This alternative budget is part of that process.

Different aims and approach

Equality, sustainability and democracy

We are committed to a different future. We do not aspire to simply growing the economy year on year in order to provide endlessly more goods and services for the population. We do not want a future where we feel like we are constantly running on a treadmill, working harder and harder, producing more and more, consuming more and more. Instead, we offer an alternative vision based on equality, sustainability and democracy. These aims cannot be achieved by capitalism. Its very essence is to have greater wealth created for those already wealthy, using the talents of the workers both in this country and abroad. Its commitment to ever more economic growth inevitably will produce greater carbon emissions and use up scarce natural resources. And the concentration of wealth in the hands of a few shifts

power from the ballot box to the bank book, giving huge power and influence to the richest in society.

Measuring success

A successful economy should not be measured by its Gross Domestic Product (GDP). GDP measures all economic activity in a country, good and bad, as if it is all positive. For example, if you pick up a brick and throw it through a window, this increases economic growth because someone is paid to sweep up the glass and replace the glass. If you spend time with your children, teaching them to read, this can be bad for growth as you are not paid to do so and it doesn't show up in the GDP. We instead can measure a successful economy by counting only the positive aspects of economic activity (for example using the Genuine Progress Indicator, GPI or similar). The fundamental purpose of the economy is to provide the goods and services that benefits the population, creates positive employment which develops individuals and communities, and which encourages the equitable distribution of power and wealth.

One hundred years ago Robert Tressell described five groups of people in his book, "The ragged trousered philanthropists": the unemployed; those engaged in necessary work which has benefits for society; those engaged in unnecessary work; exploiters of workers; and those who had inherited wealth. In 2010 it remains true that the economy is not designed to provide the goods and services that would best serve society, nor is it designed to create meaningful and rewarding employment. Instead it has created a group in society who Madeline Bunting describes as, 'Willing Slaves', who work many more hours than is healthy because of the culture of competition and fear of falling behind. The work done can often be useful, such as providing public services or manufactured goods for others to use. However, much of the work is unnecessary (such as with the manufacturing of deadly weapons or the excessive marketing and advertising prevalent in today's society) or is only necessary because of the failings of the economic system (including much of the ill-health which has resulted from inequality and unemployment; policing to manage the crime create by inequality and a failed drugs policy; and power generation because of the lack of action to make our housing well insulated). Another group in society cannot find any work, or can only access short-term, poorly paid and demoralising work. There also remains a group in society who make money from the poor in through inflated prices (to create profits to pay shareholder dividends) or interest payments (through lending their wealth via the banks).

A socialist society would be different. Employment would be created to meet the needs and aspirations of society, not in order to meet the needs of shareholders. Work would be designed to be invigorating and fulfilling. Where there are necessary jobs which cannot be redesigned in this way (for example with some cleaning tasks), these would be shared out or those undertaking them would be compensated with shorter hours. We would design the economy such that it did not create unnecessary work. We do not believe that those who inherit wealth should be exempt from participating in society or that they should have the power to distort how society operates because of this wealth. Inherited wealth is created by the work of society and would be returned to the use of all of society in a socialist economy.

Balanced budgets

Governments cannot spend more money than they receive in the long-run. We outline here how we would move to a balanced budget, but also a balanced

economy. A socialist economic strategy would provide for an increase in the spending on the 'necessary' and 'positive' elements whilst balancing the budget within a few years. A socialist economy would transfer economic power to all citizens of the country. A socialist economy would not rely on future economic growth, but instead would embark on a radical and urgent transition towards one-planet-living and sustainability.

This document deals largely with government finances. However, personal debt is at a record high and private pension schemes in the UK have an estimated £1,000bn deficit. These are very important issues and the policies outlined here in brief (including the changes to housing policy, the economic strategy and in universal benefits including pensions) go some way to addressing the problems that stem from these failures of capitalism.

Key economic policy directions

Public ownership and economic democracy:

The SSP wish to bring all of mainstays of the economy back into genuine, participatory, public ownership. We envisage that many aspects of the economy will become more planned (such as with transport provision where we currently having numerous private providers running the same routes to compete for the most profitable passengers instead of providing the best service and most sustainable option). We also imagine that many aspects of the economy will become more localised, such as with food production. Other illustrative examples of industries that we would bring into public ownership include the banks, energy companies and construction.

Reduced carbon emissions:

Climate change and future energy scarcity are real threats to society. Both require urgent radical action to reduce carbon emissions and create a very different kind of economy. Political parties which advocate economic growth do not believe that emissions can be reduced. Political parties which say that technology will resolve all environmental problems are effectively planning our future on the basis of a wish and a prayer.

Universalism:

There are 4 reasons to support universal benefits and universal public services over means testing and poor persons' services: 1 - it reduces stigma and ensures that everyone's needs are provided for; 2 - everyone in society has a stake in the level of benefits and the quality of services, increasing their value; 3 - people are more willing to save since it will not effect future entitlement; and 4 - it is cheaper to provide for all and then tax high incomes and wealth than it is to means test the poor. Therefore we believe in using the wealth of society to fund public services, free for all citizens including: all aspects of the NHS (including dentistry, prescriptions, glasses and contact lenses), education (including scrapping tuition fees) and public transport.

Wages, wealth and taxation:

The SSP believe that income inequality is excessively high and should be reduced as a priority. Inequality is corrosive in society and disrupts social bonds, damages health and well-being, fosters crime and creates a culture of desire, dissatisfaction and despair. Income inequality can arise where the gap in wages is large; where a portion of society can gain a large income from their pre-existing wealth; or where taxation is not progressive enough. We would reduce the gap in wages, reduce

private wealth ownership and tax income from wealth; and increase taxes on the highest earners. We would also guard against wealth being squirreled out of the country and guard against tax evasion.

Housing:

From the 1980s onwards housing changed from being a place where you lived to being an 'asset' for many people in the country. We were told that prices would always rise, and so we were always getting richer if we owned a house. This is only true of course if you don't need to buy another house to live in when you sell since rising prices affect buyers and much as sellers. Houses are places to make into homes. They are places to live, create a life, become part of a community. They are not a lottery ticket which you buy in the hope of 'getting rich'. To end the perversion of the house price boom we need to take away the profit incentives, recreate places to live and communities, and ensure that our housing contributes towards reducing our carbon footprint. Capital gains on house prices needs to be abolished; investment in democratically owned and run rented housing needs to be prioritised; and retrofitting our housing stock to meet the most stringent environmental criteria is a must.

Increasing government income

Income tax:

The SSP has previously proposed a 'Scottish Service Tax' (SST) as a method of raising local authority finance instead of council tax. SST is a progressive income tax which was costed in 2002. In addition to generating enough income to allow the council tax to be abolished, it would raise an additional £500m in Scotland per year. On a UK basis, this would have been around £5bn (this is likely to be an underestimate because income levels have risen since then). However, in the context of a UK budget, our policy proposal here focuses in on national income tax rather than local income tax.

During the early 1980s the highest earners in the UK paid an income tax rate of 83%. Today, those with the highest income in the UK pay a lower proportion of their income in tax than most others in lower income bands. To redress the balance, and to raise money for public services, we would increase income tax rates. *Compass* have estimated that an additional £17.2bn could be raised by taxing all income over £100,000 per year at 50% and ensuring a minimum tax rate of 40% for those with an income of more than £100,000 and 50% for those with an income of more than £150,000, and £9.1bn could be raised by removing the caps and restrictions on NI contributions.

These increases in income tax rates are marginal, yet would generate a total of £26.3bn per year additional income for government. If combined with more stringent tax avoidance measures it would be possible to raise much more than this from those in society with the highest incomes by increasing income tax rates further. This would include moving towards an effective maximum income by introducing a combination of wage caps and very high marginal tax rates. We believe that by introducing an effective maximum income of £80,000 per year, around £75bn could be raised per year.

Corporation tax:

Corporation tax has been halved in the last 30 years from 56% to 28%. Increasing corporation tax back to 56% would generate additional revenues of £42bn per year. We also support the introduction of an international financial transactions tax to

reduce currency speculation. Compass estimates that this would generate £4.2bn per year.

Tax avoidance:

Various estimates from HMRC, the Guardian, TUC and the Treasury have suggested that a concerted effort to reduce tax avoidance would bring in about £20bn a year. The tax justice network has calculated that in recent years some £120bn of tax has been avoided. Recouping some of this money, which has effectively been fraudulently taken from the people by big business, would go some way to repaying the UK national debt. Tax avoidance would also become more difficult as move towards an alternative economic strategy because there would be moves towards public ownership and the 'de-fetish-isation' of business.

Decreasing government spending

Public ownership

By bringing the most important large elements of the economy into public ownership a new relationship would develop between the economy and citizens. Instead of workers serving the interests of the rich owners, the economy would service the needs and aspirations of citizens. Some sectors of the economy which would be targeted for public ownership are: banking, transport, energy generation and supermarkets. Public ownership of these key sectors of the economy would generate efficiencies generated by the clear market failures in these sectors.

Cutting unnecessary and dangerous spending

A culture of outsourcing, contracting, commissioning and marketing (for example some parts of the NHS spending huge sums to market themselves to government or other parts of the NHS) has taken over a large part of the public sector. This creates unnecessary spending which would provide savings.

We oppose the expansion of airports and motorways and would save any future spend allocated for these. We would scrap ID cards as the current government has pledged to do.

The Scottish Socialist Party is completely opposed to nuclear weapons and would immediately withdraw our troops from abroad. We believe that this country has made itself more vulnerable to attack by terrorists by being constantly involved in illegal and immoral wars. We would reduce defence spending radically from the current £40bn per annum to £10bn per annum over 5 years. We would also drastically cut defence spending to the level of a citizen's army. This would generate another £30 billion a year in savings. We would not spend any of the estimated £76bn to replace Trident nuclear submarines. We would provide those working for the MoD with alternative sources of employment which would serve the interests of the people rather than fighting imperialist wars. The STUC has recently set out how such a strategy applied to the replacement of Trident would create far more jobs elsewhere in the economy.

Compass estimates that by returning PFI projects back into the public sector (as would be part of any re-democratisation of the newly publicly owned banks) would save around £3.3bn per annum.

Investing and spending for the future

Green New Deal

Many environmentalists and groups on the left have advocated a 'green new deal'. There are two aspects of this: one of which we agree with and one of which we are more sceptical. First, we agree that a massive amount of investment is required in our housing, renewable energy generation capacity and public transport network. We believe that this investment should be used to reduce our vulnerability to rising energy prices and fuel poverty and to reduce carbon emissions. However, some have argued for the 'green new deal' in terms of a Keynesian-style demand 'shock' to the economy (i.e. that the investment should be made by taking out loans in the hope that this creates extra demand in the economy which in turn produces greater economic growth). The SSP does not foresee how increased economic activity could reduce carbon emissions, particularly where the 'green new deal' is being used as a means to increase demand generally across the economy. Any 'green new deal' therefore needs to fit in with the overall aspiration of creating a sustainable economy rather than a growing economy.

Public transport

Our reliance on car transport has led to gridlock, pollution and poverty. The Scottish Socialist Party have costed a policy to provide for free public transport for all citizens. This policy would radically reduce carbon emissions at a stroke, reduce poverty and improve access for all citizens, improve public transport provision making it more comprehensive, and create extra wealth for society by reducing wasteful delays due to congestion. We have calculated that this policy would save the wider economy £15bn whilst costing around £8bn per year. We have also costed an additional £1bn per year in public transport capital investment.

Welfare and pensions

We have outlined that we wish to move from a means-tested welfare system to a universal welfare system where those who do not need additional support have this taxed. We have allocated in this budget an additional £7bn to fund the initial steps towards higher benefits and pensions.

Debt repayment

We do not believe that we can or should rely on future economic growth to pay down government debt. It is likely that higher inflation in the future will reduce the amount of debt, but it is key that we move away from an ever-expanding economy if we are to ensure sustainability and improved quality of life. We would therefore use the surplus identified in this budget (around £10bn) to pay down the debt (this is in addition to the monies already allocated to pay debt interest payments). This would also release additional funds in the future to provide a citizen's income, increase investment and reduce working hours.

The balance sheet

It was recently announced by the Lib-Con government that there is a projected government income of £546bn and expenditure of £701bn for the coming year and a public debt of £777bn rising to £1,406bn by 2014. Government projections presume a return to 'business as usual' economic growth. It presumes that commodity prices and oil prices will not rise as the global economy comes out of recession. We do not presume, nor do we wish to return to the economics that caused the mess we are in.

The alternative budget outlined in this document provides for a balanced budget without a presumption of future economic growth (Table 1).

Table 1 - Alternative economic strategy balance sheet using March 2010 budget figures as baseline

SSP alternative budget	
Expenditure	£billions
Projected UK Government expenditure as per March 2010 budget	701.0
Additional annual investment in energy and housing (annual investment)	10.0
Additional annual cost of free public transport	8.0
Additional annual investment in public transport (capital)	1.0
NHS, congestion and road infrastructure savings from free public transport policy	-15.0
Cut annual defence spending from £40bn to £10bn	-30.0
Cut annual spending on the introduction of ID cards	-0.5
Reduced PFI payments	-3.3
Cut spending on airport expansion and motorway building	-1.0
Increase spending on welfare	7.0
Total expenditure	677.2
Income	
Projected UK Government revenue as per March 2010 budget	546.0
Increased income tax	75.0
Increased corporation tax	42.0
Reduced tax avoidance	20.0
Tax on international currency transfers	4.2
Total income	687.2
Balance	10.0
The surplus would be used to repay borrowing to reduce interest payments and generate funds for additional investment	

The changes in ownership, taxation and spending would be unlikely to be achieved within a single financial year, but could be expected to come to pass in their entirety within 5 years. The alternative budget would provide for a massive redistribution of wealth to the poorest in society which would ensure that economic demand is maintained during the transition.

The proposals outlined in this document are not comprehensive nor detail a full vision of the possibilities of a socialist economy. However, they demonstrate that cuts to public services are not inevitable, nor is it difficult to conceive of a different economic policy that would provide employment, reduce inequalities, increase sustainability, reinvigorate democracy and provide for long-term economic stability. This is in stark contrast to the plans which have been trailed by the Tory/Liberal coalition and with the plans for cuts given by the Labour government before the election.

The Scottish Socialist Party will work with its allies to build support for an alternative economic strategy for the UK and for Scotland. This document provides a small step in that journey.