

## **Labour Party strategy on funding public spending**

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The most important element of Labour's strategy is how it proposes to fund public spending. We know that in the 2019 general election most of Labour's spending commitments were popular, but that many people thought that they were unrealistic or extravagant because they did not understand where the money is coming from; they therefore rejected the whole programme. The strategy for taxation and borrowing therefore needs careful consideration, and then a long term campaign to convince the public of its feasibility.

I think that the 2019 manifesto provides a very good basis for this strategy. The main points were -

- a distinction between revenue (or current) expenditure and investment spending;
- revenue spending and tax revenue to balance over a ten year cycle;
- investment spending to be funded by borrowing, taking advantage of near-zero interest rates. Approximately £50bn a year to be raised and invested via the National Investment Bank and the Green New Deal;
- an increase of revenue spending of £83bn per year;
- funding this through increased taxation of capital (about 90% of new tax) and the rich (about 10%), with no increase in taxation of people on incomes under £80,000. The precise forms of taxation and their expected yield (on very cautious assumptions) were set out in the Grey Book accompanying the manifesto.

Though the precise figures will need revision, the broad approach here seems to me to be just, feasible and potentially popular. I think that something like this should be the keystone of Labour's economic strategy.

The result of the election shows that, having adopted such a fiscal strategy, the party needs to explain it to the public. The party failed to do this, both in the years preceding the election and during the election campaign itself. This involves overcoming 40 years of propaganda for neoliberal fiscal policy. In particular -

- (i) The idea that a rise in taxation is always a rise in taxation of ordinary people. The media consistently present taxation in this way. The possibilities for taxing capital, land and the rich are never given an airing. Or people think, falsely, that if you tax companies and the rich more they will inevitably go offshore.
- (ii) The idea that government borrowing is storing up problems (higher interest rates, inflation, penury) for the future. The party needs to explain why this is not the case. And to explain that borrowing for investment will pay itself back many times over in economic and social benefits to society (and even economic benefits to the treasury).

These two points will need consistent messaging and repetition, using every available medium - education of members, material on the party's website (short, medium and long), use of social media, including graphic and entertaining videos.

For more detail on this argument, see my article 'Why Labour lost the 2019 general election', particularly section 9.