

The speech I'd have made on the economy if I was Ed Mil...

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It has become commonplace to moan about the fact that Ed Miliband and Labour have not defended their record from 1997 to 2010 becomes too borrowing, the deficit and banks. I am one of those who has, on occasion, despaired. But, what could Ed Miliband have said? I am not, of course, the leader of the Labour Party, and never will be as I am not even a member, but this would have been my response.

"Let me talk about Labour's spending record between 1997 and 2010.

I know what people say. They say we borrowed too much. They say we spent too much. They say we left the country in a mess. And I have to tell you, I disagree.

Let's look at some basic facts. In 11 years from 1997 to 2008 a Labour government borrowed £190 billion. Now I know that sounds a lot. But just to put it in context, from 2010 to 2015 the Coalition £570 billion. That is exactly three times as much.

Now I admit, we also borrowed in 2009 and 2010. A total in those two years of £253 billion. But let me stress, that in thirteen years we borrowed less than the Coalition did in five, and by some considerable way. So when criticism is handed out for borrowing, it's not Labour who should be picking up the blame.

In fact I would say it's exactly the opposite. You see, when we borrowed between 1997 and 2008 we did so for good reason.

We borrowed to build the hospitals that eighteen years of Tory rule had denied us.

And to build schools.

And to give the armed forces the equipment they needed.

We invested in the NHS so that waiting lists just became a bad memory.

And we made sure we gave everyone a better chance in life, starting with Sure Start, and helping sixth formers get the education they needed when they couldn't otherwise afford, whilst more students than ever before went to university.

We delivered with that borrowing, time after time after time. Which is why I guess the Tories said they'd copy our spending plans, pound for pound as recently as 2007, just before the crash.

And it's why some pretty wise people, like pension funds and insurance companies queued up to buy the debt we sold, knowing it provided security for their own customers who relied on their judgement.

It's also I guess why we were re-elected three times. You know, it worked, and people liked it.

But there was, I admit, one thing we did not spend enough on. We did not spend enough regulating the banks.

Like other governments around the world we accepted the assurances of major High Street banks — whose names you all know — that they could be trusted to act responsibly if we did not regulate their every move.

We were wrong. They were not to be trusted. And here, and in the USA in particular, but with knock on effects throughout Europe, they lent too much, for too long to people who they should have known could never repay them. And they believed that property values would go up forever, which is why Northern Rock lent 125% of a property's value before the crash of 2008.

They were wrong. They failed us as a government, just as they failed the people and government of the USA, and Germany, France, Ireland, Spain and so many other countries.

The banks, and those who ran them, could not be trusted. They were exploiting their power for their own gain and I have said sorry before, and I will say it again, that we did not realise that. Behind all the smokescreens of public relations, and behind all the claims that the Conservatives made about the need for ever lighter regulation — as they did in the years running up to the crash — our banks were deeply rotten.

Of course I regret the fact that we did not realise that. It's why we have said you can never trust the Conservatives — who get so much money from their friends in the City — to regulate the economy ever again. No one, surely, should want the same thing to happen again, but with their approach that is likely.

And then the crash came. It was quick, it was brutal, it caused panic in the financial markets as the lies so many bankers had made began to unravel, and through it all I can say with honesty and pride that the one absolute dependable organisation in the

global crisis that developed was the Labour government.

When the Royal Bank of Scotland admitted to Alistair Darling one Friday night in October 2008 that it could not re-open on the following Monday morning because it had, quite literally, run out of money he was the man with the level head who made sure that the crisis was managed. I doubt if there were very few other people who could have done that. The nation owes him a debt of gratitude.

Without his cool thinking and calm composure as he guided bankers and civil servants to a solution — which was nationalisation — then on that Monday morning maybe one in five people in the UK would have lost all they had in that bank.

Worse, they could have paid for nothing. Their children could have been without food that night, and certainly by the end of the week Alistair had not acted.

And it was not just individuals. Up and down the country employers could not have paid wages.

People would have seen their savings just disappear.

And once one bank failed others would have toppled one after the other as they're all so closely related to each other.

Labour saved the day. Let me say that again. Because we believed in the power of the state to solve problems, which neither the Conservatives or LibDems do, Labour saved the day.

And we kept saving the day. Gordon Brown led the world on the path to recovery, best symbolised by the world's leaders meeting in London in April 2009 to start tackling the crisis that faced them all.

And they agreed to do what we had done — which was to tackle the problem by making sure that people — ordinary people — did not suffer because of the problems bankers had created.

So although we faced a shortfall in tax receipts because suddenly the banks were no longer paying and all around businesses were failing and people were being made unemployed we decided to do the only responsible thing that a government can do in that situation, which is to spend.

And we spent wisely. We invested more than £50 billion in the UK economy and in long term projects in the immediate aftermath of the crash. This was not wasted money. It was money we spent to make sure people were still in work, off benefits, and with money in their pockets so that they could still spend with the UK's private businesses and so prevent a recession spreading.

We cut VAT for the same reason — we wanted to support the UK's businesses when times were tough to make sure they would survive.

And because, as is always the case in a crisis like this, people immediately stopped some of their spending and business stopped investing there was a flood of savings available which people wanted to lend to us because they'd lost all confidence in the banks. We used that money responsibly to invest in the skills, the people, the businesses and the infrastructure of the UK to make sure that we recovered as fast as possible.

I maintain that was the right thing to do.

Not once, not ever, were we like Greece. We had gone into the crisis with low borrowing by European standards, with a strong currency, a pretty good tax collection system, and interest rates that never threatened recovery. We were always, strong and solvent. People queued up to lend us money, and we used it well.

I know that: the economy was already growing again in May 2010. I think Labour can and should be proud of that fact. We spent well to put the UK on a sound path to a rapid recovery.

So in that case let me deal with something that will otherwise inevitable come up. Why did Liam Byrne leave that note for his successor in 2010 in which he joked "there is no more money". I will be honest with you. He was wrong. But I should add, he also knew he was wrong. That was the whole point. It was a joke about the austerity plans the George Osborne and his team were bringing with them to the Treasury.

The simple fact was that we had proved that there was a viable path to balancing the books in 2010. That was because when we left office our economy was recovering from the crash in 2008. There was growth. The deficit was already falling. We had already put in place all the measures needed to ensure the growth would have continued and that the deficit would be steadily reduced.

Liam Byrne knew that. But the whole Labour team at that time also knew that any government, whether Labour, Coalition or Conservative would have needed to borrow throughout the last Parliament. The joke was that the Conservatives had pretended that was not the case. As it turns out, Liam was right. And as Liam knew then, and I can assure you now, we would have been a much better place in 2015 if we had had a Labour government for the last five years.

Why's that? Because we would not have imposed the vicious austerity that the Coalition has imposed.

Make no mistake, there would have been cuts, and there will still be cuts. Every government has in the end to live within its means.

But we would not have victimised the poorest.

And we would not have slashed investment to almost nothing as this government did, which means we have had the slowest economic recovery from a recession in the UK's history.

All of that was unnecessary. With compassion, with care, and with the focus on building for the long term that Labour has we would have borrowed, undoubtedly, but to build a future for us all.

And we would have driven re-regulation of the banks harder than this government has.

And we would have demanded a bigger contribution from them because if anyone has recovered well from this crisis it has been the banks, and that's unjust, and yet the Tories have rewarded them with massive tax cuts as companies and with massive tax cuts as high earning individuals. I can promise you, Labour would not have done that.

So what will we do now?

Of course we still face a deficit, and as I have said, a government cannot spend more on its current spending than it enjoys as income forever. But it is important to say that Margaret Thatcher was always wrong to suggest that the national economy should be run as her father ran his shop. There's a big difference between the two. Corner shops can't print money and countries like the UK — which did not go into the Euro because Labour saved it from that fate — can.

Labour started printing money to make good the shortage of bank lending in the economy in 2009. It had to do that because, and this may surprise you, almost all money is created by banks lending it. And it is destroyed when people repay their loans. Of course that doesn't apply to the notes and coins in your pocket — but they're just 3% of all money. The rest is created by banks. And because the banks did not create enough money in 2009 because the crisis was then unfolding and they stopped lending we had to print it instead. The process is called quantitative easing but that's just technical blurb. It's simply the government making money out of thin air.

From 2009 to 2012 this was done to make sure the banks and financial markets stayed afloat. In the end that was a mistake. The result was a stock market boom, excessive speculation and a house price rise in the south east of England as bankers' bonuses carried on unabated.

But what we did not get was what the doom sayers said would happen. We did not get inflation. And we did not go bust like Greece. In fact we got record low interest rates — the government can borrow at interest rates that are, when inflation is taken into account, negative right now. And we got zero inflation.

So what is obvious now is that first of all there are too many savings in the economy —

or interest rates would not be so low. And, second, that means there is not enough spending in the economy. That is precisely, in two sentences the economic problem this country faces.

The result of that situation is that we still have too many people unemployed, and we have far, far too many people in insecure low paid jobs that pay them nothing like their true worth.

Some people may like a lot of insecure low paid jobs in the UK. David Cameron seems to be one. But I don't. So this is what I'll do.

Yes, I will aim to balance our current spending with our current income over the life of the next parliament — so long as ordinary people are not hurt in the process.

But there is no way I am going to include our investment spending in that equation as David Cameron does.

I'm told that there was a time when people would not buy things unless they could pay in cash, upfront. That condemned people to never owning their own homes.

And I'm told there are still some people — let's call them the Chipping Norton set — who have so much money they've never had to borrow money to buy anything.

But for the rest of us — government's included - borrowing to pay for investments in homes, energy systems, transport infrastructure and schools and hospitals makes sense.

We borrow if we know we can repay the loans. And right now people are almost paying the UK government to lend it money. Borrowing has never been so cheap. If we borrowed to pay for all we will invest in we will not be saddling ourselves with unaffordable debt in the future. That's because what we will invest in pay for themselves from growth, from rents and from savings.

But we can also go further. We could print some money too, just as we did for banks from 2009 to 2012, to give the economy the boost it needs to really get us going again. And I am proposing that we do just that — to the tune of maybe £50 billion a year until wages rise, tax revenues grow (as they will, which pays down the deficit) and full employment returns, when this policy would very definitely stop.

Put this together and we do many things.

We invest to pay down the deficit.

We increase wages, and the resulting increased tax payments pay down the deficit.

The money we will spend with the private sector will boost profits, and so their extra tax

will help pay down the deficit.

More people will work and so benefits will reduce, and that will pay down the deficit.

And we will build for our futures — including clean energy - which reduces our imports and helps pay down the trade deficit.

And whilst doing all this we will provide a safe and secure place for the savings people want to invest with us.

If we do it right we might also increase interest rates as a result — and I know quite a lot of people will be pleased about that.

But we won't set house prices on an upward path — because we will be building 200,000 new homes a year by 2020.

This is a new economic policy that builds on all the lessons we have learned. It is unapologetically a policy intended to liberate the power the government has to build growth and prosperity in partnership with the private sector.

It's a policy that puts people at the heart of the economy, and not bankers.

But it's a policy that recognises that we need to balance our books, and that growth can do that, including growth for the businesses of this country.

This is a vision.

It says if we could bail out the banks we can use the same techniques to rebuild our economy.

It's a vision that says the sixth richest nation on earth does not need to penalise the poor to balance its books.

It's a vision that says we believe that Britain can and should build its own success.

It's a vision that says government is at the heart of this process, just as it was at the heart of saving the UK from economic meltdown in October 2008.

It's a vision that can work.

And that's why you should vote for it."

I'll never deliver that speech.

But I thought I'd share it.