

Labour is not going to deliver

<https://www.taxresearch.org.uk/Blog/2024/07/06/labour-is-not-going-to-deliver/>

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I have published this video this morning. In it, I note that Labour is planning to base all its policies on growth and wealth creation. Neither makes sense, and they're in direct conflict with each other economically. It's as if they have announced in advance that they plan to fail.

<https://www.youtube.com/watch?v=DRu63wEedFU>

The audio version of this video is here:

https://www.podbean.com/player-v2/?i=ybbyt-165cd11-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=c73a3a&font-color=&logo_link=episode_page&btn-skin=1b1b1b

The transcript is:

We have a new Prime Minister. We have a new government. And it's not going to deliver. Let me tell you why.

Keir Starmer says that his goals are growth and wealth creation. And there are real problems with both of those.

Let's start with growth.

We live on a finite planet. We didn't know that 50-odd years ago. It was first pointed out to me in 1971. And at that time, it was extremely unusual for anyone to talk about this.

Now we know that we have global heating going on.

We know that we have to change the way in which we run our economies or we will not be able to manage the consequences of global heating, with potentially catastrophic consequences.

And we know that it has been the pursuit of economic growth that has burned resources and produced vast amounts of carbon that has created this outcome. And yet Keir Starmer and Rachel Reeves are pinning their hopes on growth. In a world where we know that that is not going to work, I am baffled as to why they want to do that.

It is ridiculous to set out to fail because if that's what they want to deliver, they are going to condemn us to our fate sooner than necessary, where the world might not be sustainable. And I can't forgive them for that in advance. I just hope they will change their mind.

The second part of their policy is to deliver wealth creation. This is also quite absurd. There are two reasons for saying so.

One is that wealth creation always means that the wealthy get wealthier. It has never done anything else. What we have seen over decades is that when wealth creation of the sort that Starmer and Reeves are dedicated to - which is the accumulation of financial power, if we summarise it rather crudely - always means that there is an increased concentration of wealth amongst those who are already wealthy.

Thatcher started this trend in the 1980s when she liberated the City of London, as she saw it, to create financial wealth without limit, as she saw it, and she succeeded in the sense that she massively increased inequality in the UK. Most people did not benefit from her policies. Those who were working in the financial services sector did.

We saw an increase in wealth. We saw an increase in inequality. And we've seen all the problems that have followed on, ever since.

The last Tory government delivered 14 years of increasing inequality. That's why people are fed up with it.

And yet Keir Starmer wants to replicate that policy now.

And why doesn't it work? Look, the theory of wealth creation to which he and Rachel Reeves have subscribed is that if only wealth is increased for the wealthy, then some of that will trickle down to everyone else. The claim that is made is that "a rising tide floats all boats". That is ludicrous. It's wrong. It's nonsense. There is literally not a shred of evidence that that has ever happened.

The only way in which most people can benefit from wealth creation is by taxing those who create the wealth - basically by exploiting the rest of us - very progressively to ensure that the benefit of that wealth creation is redistributed to those who need it.

What is more, that redistribution is also needed because without it you don't get any growth as a consequence of wealth creation because the wealthy don't spend their money. The only people who do are those on lower incomes who need it to increase their well-being.

So, in fact he's actually adopted two policies which are directly in conflict with each other unless he delivers progressive taxation, and he and Rachel Reeves have said they won't do that.

So we have a Labour government setting out to create two foundations for its policy, which are both unacceptable in terms of their implausibility when it comes to growth, and unacceptable with regard to their social consequences when it comes to wealth creation.

That's deeply depressing. It's just so flawed as to logic and so utterly inappropriate when it comes to the needs of this country.

Yes, I'm depressed by that. There are five years for us to find an alternative. In 2029, surely, we cannot have another government that is so out of touch with the needs of the people of the UK.