

# John McDonnell MP pre-Budget speech

**John**

**McDonnell MP, Labour's Shadow Chancellor**, speaking at the South Bank Centre ahead of next week's Budget, said:

**\*\*\*CHECK  
AGAINST DELIVERY\*\*\***

Next week, the Chancellor will stand up in Parliament to deliver his first – and last – spring Budget.

He will no doubt want to paint a rosy picture of progress since the Autumn Statement, just a few months ago.

But if progress has been so significant, and all is going so well – why is the government continuing to pursue spending cuts?

From the NHS to social care, from prisons to education, our public services are in crisis.

Brexit will present challenges to this whole country.

Labour is prepared to meet them.

Yet instead of rising to the challenge I fear the approach from this government on the economy is to continue the failures of the past.

Look behind the headline figures and the real story is apparent.

The essential facts on our economy remain as follows.

Low investment over many decades has led to a low productivity, low wage economy.

Insecure and poorly-paid work dominates new job creation.

That, in turn, means that the tax base needed to secure our public services is less

stable.

Deliberate

decisions by this government to privilege tax giveaways to the super-rich and giant corporations have further undermined the tax base.

The

model is not sustainable.

The

failure at a national level is palpable.

The

Conservatives will soon have added three quarters of a trillion pounds to the national debt since they arrived in office.

At

the same time, they will have imposed the first spending cuts on schools for forty years.

An

NHS in a state of profound crisis.

Those

who work in and manage our public services have done their best under the austerity onslaught.

Local

authorities in particular have had to cope with the most extraordinarily sharp funding cuts.

They

will not sustain a further round of spending cuts.

So

when the Treasury casually announces that it is looking for a further 6% of funding cuts to some government departments, as they did this week, it is an act of gross irresponsibility.

And

the comments today from the head of the Care Quality Commission that the NHS "stands on a burning platform" have driven home the scale of the crisis.

Cuts

to social care, amounting to £4.5bn since 2010, have brought the system to the brink of collapse.

Over

1m vulnerable elderly people, including many who are very frail, now lack access to the care they need.

This is one of the richest countries in the world, and yet Tory austerity has brought our public services to the brink.

Social care has a £1.9bn deficit in funding for this year.

This needs to be filled immediately to stabilise the system.

Based on estimates by the Chartered Institute of Public Finance and Accountancy, the NHS and social care face a funding gap of between £8.5 and £15bn by 2020.

Published figures indicate that tax receipts are currently higher than anticipated.

Given that we're facing an immediate crisis in the NHS and social care, I'm calling on the Chancellor to use that money to address this NHS and social care emergency.

Any measure less than this is likely to be inadequate.

It is not just those who rely on our public services who have suffered under this government.

The slump in living standards overseen by this Tory government is the worst this country has experienced since the Industrial Revolution.

The Chancellor may try and boast about rising GDP.

But that hasn't turned into real improvements in people's lives.

The reality of our economy is that average real hourly pay remains over 10% below its level before the crash.

And that cuts to public services have now placed them, as the independent Institute for Government has said, close to outright collapse.

The

record on living standards is the worst of any leading economy.

Only  
Greece has seen a bigger fall in real pay.

Britain  
has the distinction of being the only large developed economy in which wages fell even as economic growth returned after the crash.

And  
now rising inflation as the government mishandles Brexit is devaluing people's wages further.

Yet  
the government has reneged on its promised National Living Wage level, and is continuing to pursue cuts in in-work benefits.

Analysis  
out this morning by the Institute of Fiscal Studies shows that low-income working families with children will suffer most.

The  
average household will be £5,000 worse off by the end of this Parliament than they might have expected.

If  
the economy is growing, the benefits must be shared fairly.

The  
Chancellor must reverse the £70bn giveaway to the super-rich and giant corporations between now and 2021.

And  
the cruel £3.7bn cut to Personal Independence Payment for disabled people must be halted.

Labour  
will bring in a £10 an hour Real Living Wage to make sure work always pays fairly.

Our  
public services, from education to local councils to prison services and social care are in deepening crisis and the burden is falling disproportionately on women.

It  
is women who are bearing the brunt of low pay, cuts to in-work benefits, and the public sector pay cap.

Put

together, this government has created a toxic mix.

Independent

estimates by the Women's Budget Group suggest that 86% of cuts in public spending since 2010 have fallen on women.

The

Chancellor must take action in the Budget next week to fund our public services and end this discrimination.

In

the place of austerity, Labour want a Budget that works for women, that invests in jobs for women, funds the services that women depend on and advances women's equality and economic independence.

It

is the National Health Service and our social care services that tell us the most about this government's failures.

It

is essential that the government uses this Budget to give the NHS and social care the funding they urgently need.

The

present Conservative government has been condemned for its fast-and-loose approach to NHS spending.

The

Chief Executive of NHS England has dismissed government claims that current funding is adequate – let alone more than was asked for.

The

Public Accounts Committee has rebuked this government for raiding the NHS capital budget to meet NHS spending.

The

Health Select Committee has dismissed the government's claims on increased funding.

The

reality is that this government has consistently failed to provide the funding that the NHS needs, and that it will continue to need into the future.

Yet

the rhetoric from the Prime Minister downwards has suggested anything but.

There

is an air of unreality about her claims that more and more patients are being seen by more and more doctors.

The experience on the ground of patients, doctors, and nurses is of a treasured institution already drifting into the greatest crisis in its history.

The reality is that the Tories are imposing a real-terms cut per head in healthcare spending.

Current plans from the government do not come anywhere close to addressing the scale of the crisis.

It is essential that they now bring forward plans to close the funding gap if we do not want to lose our NHS.

Labour will never break from the fundamental principle that our National Health Service should be free at the point of use.

And we will reverse Tory privatisation, by renationalising the NHS.

It will require bolder steps to secure NHS funding where demand pressures are rising, confidence in government is low, but retaining the NHS' historic mission of healthcare, free at the point of delivery is a national priority.

Public trust and confidence must be restored.

Not only in the government of the day.

But in governments for the rest of this century and beyond.

Recent discussions around the long-term future of the NHS have helped clarify some important issues.

I want to lay out some of the framework on how Labour will be looking to develop its thinking in the future.

The financing of the NHS has become excessively politicised to the point where even

supposedly official figures are subject to dispute.

There  
needs to be an independent adjudication of both needs, and actual provision,  
to  
restore public trust and confidence.

The  
Office for Budget Responsibility has already taken steps to assess the levels  
of funding needed for the NHS in the longer term.

I  
have written to Robert Chote to ask about the ability of the OBR to continue  
to  
provide these assessments, as part of its overall brief to monitor the  
government's fiscal position.

To  
change the OBR's responsibilities and bring in permanent oversight on  
healthcare funding would require primary legislation from government.

Fair  
and objective assessments of long-term need are required, along with close  
monitoring of actual spend being made.

That's  
a bigger task than Ministers can provide.

We  
need a political neutral body, modelled on the Office for Budget  
Responsibility, that can remove the question of long-term funding from the  
political squabbling.

Only  
in this way can public confidence in the figures be restored – and essential  
spending correctly made.

Second,  
we have to place funding for the NHS on a longer-term basis.

As  
Lord Macpherson and others have suggested, placing the NHS on a stable  
five-year financing basis means that certainty of funding can be assured.

But  
we need to do more than tie funding down for the length of a Parliament and  
look to ten-year budgets.

The  
pressures that we know of today will continue to build up over decades.

We  
need NHS budgets that can assure funding on those timescales.

Third,  
we must show those expected to pay for the NHS that their tax money is  
well-spent.

The  
simple truth is that after the financial crash and years of failed austerity,  
governments are not trusted.

Creative  
accounting and stealth taxes have helped chew away public trust in the  
system.

The  
fact that the wealthy can seemingly dodge their taxes at will has further  
undermined public confidence in the tax system.

And  
politicians, thinking only about the electoral cycle, have too many  
incentives  
to game the system.

People  
need to know that the contribution they make will be spent properly.

Hypothecation,  
allocating taxes raised to specific purposes, can make absolutely clear where  
tax money is being spent.

It  
can help restore the trust and confidence in taxation and government spending  
that has otherwise started to break down.

But  
hypothecation for the NHS has to be more than a commitment from a politician  
or  
a political party to spend a given amount, however firm that promise.

It  
needs a clear commitment, over the long term, that specific taxes will be  
used  
for specific purposes, and that this spending will be properly monitored.

The  
government's rhetoric on the economy has changed profoundly over the last  
year.

They're  
catching up with some of positions we've staked out.

The



Chancellor claims he now accepts the need for government to invest, rather than to slash investment.

He just won't deliver properly on it.

And the Prime Minister has offered fine words about the "good that government can do".

And yet her government actively pursues NHS spending cuts that have contributed to 30,000 excess deaths in a year.

These are not my figures, but those of the Royal Society of Medicine.

The disconnect between what Ministers say, and what they do, has reached dramatic proportions.

The reason for the disconnect is clear.

The Tory Party know that after years of austerity and sliding living standards, the sentiment against political elites out there in the country is palpable.

That mood was a critical factor in driving the vote to Leave the European Union last year.

This government have sensed the mood and adapted to circumstances.

They've borrowed the rhetoric of protest and now pose as champions of the workers.

Only five months ago, the Prime Minister and her Chancellor were giving the impression that austerity was coming to an end.

But much of the austerity is yet to come.

In the end, the Tory leadership are the elite.

So

they can make all the grand promises they wish.

But  
they can't deliver the transformation our economy now needs.

They  
don't have the political will to do it.

Labour  
has already begun to lay out its alternative.

We  
want a break with the past – not a continuation of its mistakes.

So  
the fundamental task of any reforming government in the future will be to  
rebuild and reconstruct our economy.

Our  
Fiscal Credibility Rule and commitment to invest means the next Labour  
government will break with the failures of the past.

We  
will bring down the deficit whilst committing real government resources to  
increase investment.

By  
the end of the next Labour government, the national debt, relative to trend  
GDP, will be lower than what we will inherit.

We'll  
reverse years of underinvestment across the whole country.

Not  
just in the few existing centres for growth and prosperity.

But  
delivering the funding needed so that our smaller towns and communities can  
share in the prosperity.

The  
great divide between London and the rest has to be overcome.

We'll  
introduce legislation to correct the bias in investment funding for the  
regions.

We'll  
commit the funding needed for specific infrastructure investments, like the  
£10bn Crossrail for the North or new tidal lagoons.

Labour

is committed to delivering one million new houses, and building a new generation of council housing.

And

we need a government prepared to give back control to our localities.

So

alongside the National Investment Bank, the next Labour government will create a network of regional development banks that will supply the funding needed on the ground for local businesses to flourish.

We

can allow workers and those wishing to set up and run their own businesses the opportunity to take control back away from the boardrooms where short-term decision-making has dominated.

The

railways will be renationalised by Labour.

But

we'll also introduce a "Right to Own" for workers, giving them first refusal on taking control of companies undergoing a change of ownership.

And

we'll use the regional development banks to support a new generation of co-operative businesses, at least doubling the size of our co-operative sector.

Small

and new businesses will be properly supported with reforms to business rates, financing from the regional development banks, and support for business hubs in every major town and city, allowing new businesses to work together and collaborate.

We'll

support investment by manufacturing firms by removing plant and machinery from business rates.

And

we'll reform corporate governance laws to block raiders trashing profitable companies and bankrupting pension funds.

We

want our large corporations to work for the public good – not against it.

So

we'll also introduce a fair pay ratio to stop top bosses paying themselves excessively.

But  
to reverse the slide in living standards, we'll need to do more.

Labour's  
Real Living Wage will be a £10/hour minimum, meaning work will always pay properly.

The  
public sector pay cap will be lifted.

We'll  
repeal the Trade Union Act.

And  
we've fought to defend the rights of EU migrants here, who contribute so much to our public services and our economy.

The  
Lords have passed Labour's amendment and we urge the government to immediately  
bring forward a guarantee to protect the rights of all EU nationals resident here.

We'll  
be working with our European colleagues to protect the rights of EU citizens here and UK citizens in the EU.

And  
of course we'll halt the austerity cuts to in-work benefits and payments to people with disabilities.

We  
need a clear plan for government to intervene on a major scale, supporting essential industries, fostering new sectors and above all creating decent, secure jobs across the whole country.

We'll  
use the power of government procurement, backed up by the National Investment Bank, to deliver a massive expansion of industries like renewables where the global potential is enormous and our natural resources so significant.

The  
next Labour government will break the cartel of the Big 6 energy suppliers, creating the conditions for local, decentralised, low-carbon energy by supporting local authorities and co-operatives.

We'll  
target 3% of GDP spent on scientific research, from all sources, to deliver on  
the huge potential of our scientific research base.

From  
a laggard in research spending, we'll move to being a leader.

We  
can't run first rate public services on a second or third rate economy.

But  
we can't pay for first rate public services unless the tax system works  
fairly  
and effectively.

There'll  
be no place to hide for tax avoiders under Labour.

Our  
Tax Transparency and Enforcement Programme will clamp down on the worst  
avoiders.

And  
building on the successful Nordic model, we'll introduce legislation to make  
public the tax returns of those earning over £1m.

Transparency  
and fairness is at the heart of building a decent, open society.

This  
will help restore public trust in the tax system – and help clamp down on any  
avoidance.

This  
programme of structural reform should all be taken as fundamental.

This  
is, in outline so far, the economic programme of the next Labour government.

It  
represents nothing less than the transformation of this country.

We  
don't have to settle for the steady management of decline under the Tories.

And  
we don't have to accept the failings of an elite that have lead us into a  
decade of falling living standards, insecurity, and failing public services.

There  
is an enormous potential here, in every part of the country.

We  
can build a radically fairer, more democratic, and more prosperous society.

We  
can, together, turn this whole country round.