

# John McDonnell – speech to Labour economic conference, Glasgow – Saturday 11 March 2017

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

I  
want to thank you for coming today.

It's  
been great to see the enthusiasm across the country for these conferences.

There's  
a huge thirst for ideas and for discussion about how we can turn our economy  
round.

But  
at the heart of our discussions is something fundamental.

Adam  
Smith, who taught, as you know, right here in Glasgow, once called economics  
a  
"moral science".

He  
meant that, yes, the economy obeys laws –

But  
that it was also about the kind of society we live in.

That  
economics is fundamentally about values.

That  
when we think about the kind of economy we want, we must always think about  
the  
kind of values we hold for our society.

Our  
values are these:

We  
believe in a fair tax system where everybody, no matter how rich and  
powerful,  
pay their way.

We  
believe that – through a fair tax system and collective endeavour – the  
elderly

and disabled should be cared for and the sick be treated.

And  
children educated to fulfil talents to full.

The  
Chancellor presented his Budget statement earlier in the week.

The  
contrast between what the Labour Party and the labour movement stand for  
could  
not be clearer.

What  
I saw, sitting opposite him, was a Conservative Chancellor boasting about tax  
cuts to the corporations and the rich

whilst  
refusing to effectively tackle the crisis in social care for the elderly  
refusing to properly fund the NHS and increasing the national insurance  
burden  
on many middle and low self-employed earners.

And  
at the same time breaking a clear manifesto promise that the Conservatives  
would not increase National Insurance.

Labour  
opposed the tax hike from the start.

The  
Chancellor's decision to push a £2bn tax rise on low and middle-earner  
self-employed made little sense.

The  
justification offered by the government does not stand up.

You  
can't simply demand more taxes off people without offering something in  
return.

This  
week we saw the Government effectively blaming self-employed people for the  
dysfunctional labour market.

There  
wasn't a package of measures designed to address the problems of the modern  
world of work.

It was a single unilateral tax hike for all self-employed people earning over eight thousand pounds.

It's a single hike of £2 billion pounds targeted at the self-employed taking place at the same time as the Tories are slashing taxes for giant corporations.

They're making the minicab driver pay more, but the company she works for pay less.

And that minicab driver will still not enjoy the protections of a full-time contract.

A hairdresser earning fifteen thousand pounds a year will be £139 pounds worse off as a result of yesterday's measures.

Some have tried to portray yesterday's announcement as progressive.

But what's progressive about raising taxes for low-paid drivers, while the Government goes ahead with cuts to capital gains tax for a tiny few?

What's progressive about raising taxes for low-paid self-employed cleaners, while the wealthiest families in the country get a cut in their inheritance tax?

What's progressive about raising taxes for plumbers, while multinational corporations see their tax bills slashed year after year?

What's not fair is £70 billion pounds of tax giveaways for the wealthiest and corporations, while hiking taxes on middle and low earnings.

That's not fair. That's not progressive. That's just not right.

Meanwhile the Government's incremental reforms to business rates fall far short of the radical long-term reform needed.

They are trying a delaying tactic, but business rates are a ticking time bomb threatening to destroy many town centres.

Now Labour recognise that the labour market is changing.

Some  
of this can be welcome.

Self-employment  
can give people the flexibility at work that a more conventional contract  
might  
not.

Changes  
in technology have opened up new scope for interesting and fulfilling work –  
for some.

But  
let's not romanticise this.

Bogus  
self-employment is a real and growing problem.

It  
means workers going without the protections that the appropriate labour  
contract can give.

It  
means workers forced into more insecure work, for less pay – and employers  
ducking their own requirements to pay National Insurance.

I  
want to pay tribute to the campaigning work put in by our unions to bring  
employers to heel.

Scottish  
TUC are running an excellent campaign, "Better than Zero", against zero hours  
contracts.

The  
challenge for the next Labour government and the whole labour movement will  
be  
in securing the balance between the best possible protections for those in  
work  
–

And  
recognising that the world of work itself is changing.

The  
labour movement has risen to challenges like this in the past.

It  
was born out of the struggle for decent pay and conditions when new  
technologies were ripping up existing ways of working.

We  
need that same spirit and vision again.

So  
I'll be convening a summit next month of unions, the self-employed, and small businesses to develop Labour's policy on self-employment.

We  
want to win the widest possible support for a radical, Labour vision of how to  
adapt to a changing world.

We  
are the party of workers and small businesses.

That  
is the message we should carry to every part of the country.

And  
we face a government of the giant corporations and tax avoiders.

This  
week's Budget made that only too clear where their priorities lie.

Labour  
will make different choices when we return to government.

For  
now, we'll keep the pressure up on the Tories.

Theresa  
May has already had to buckle – the tax hike will now not be enacted until  
the  
Autumn.

But  
the Chancellor was silent on the greatest challenge facing this country.

The  
word "Brexit" never passed his lips once during the speech.

As  
Britain prepares to begin the process of leaving the European Union, the  
Chancellor had nothing to say on the matter.

He  
kept silent because he does not agree with the position of his own  
government.

The  
Prime Minister claims no deal is better than a bad deal.

But  
this is absurd – no deal would be the worst possible deal.

The  
Chancellor knows very well that this is the case.

He's  
been warned about it from all sides.

Crashing  
out of the EU means we will be cut off from investment.

We  
will be cut off from our biggest trading partner.

We  
will be cut off from the skills and contribution that EU nationals have made  
to  
our economy and society.

The  
government has yet to even offer guarantees for those EU migrants already  
living and working here.

It  
was Labour's amendment in the Lords that demanded the government offer a  
guarantee.

We  
defeated the government then and we will be fighting the case on Monday.

It  
is essential these guarantees are given to the three million people from the  
EU  
now living and working here.

Instead  
this government seems to think they can treat people as bargaining chips –  
apparently forgetting that 1.5 million UK citizens live and work in the rest  
of  
the EU.

The  
Brexit vote creates huge challenges for all of us.

It  
has brought some of the fault-lines in our society to the fore.

It's

forcing us to think about what kind of society we want to live in.

Because  
the status quo is no longer an option.

But  
the challenge now for all parties, including the Labour Party, is to present  
an  
alternative.

The  
Tories have already offered theirs.

It  
is a dystopian vision of Britain as a bargain basement tax haven off the  
shores  
of Europe.

Of  
poverty pay and misery for the majority – but a fabulously wealthy elite at  
the  
top.

I  
do not believe that those who voted Leave voted for this –

Quite  
the opposite, many believed that our public services would get more  
resources,  
not fewer.

The  
hardliners are pushing for this.

They  
want Brexit to be the culmination of decades of free market dogma.

Of  
the belief that the only relationships that matter are market relationships.

And  
that if you just let markets rip, and let the wealthy do as they please,  
wealth  
will trickle down.

It's  
the belief that the institutions we rely and the relationships we build are  
barriers to efficiency.

And  
that if we leave everything to the market alone, the result will be a  
flourishing of entrepreneurship and growth.

Nearly  
forty years since the free market experiment began, we can assess the  
results.

And  
they are abysmal.

We  
have a society that is amongst the most unequal in the developed world.

Too  
much wealth is held by too few hands.

Following  
these free market prescriptions have left Britain with a crumbling  
infrastructure, businesses that don't feel able to invest, and productivity  
growth that has slumped.

Here  
in deregulated Britain, it takes a typical worker five days to produce what a  
worker in regulated France or Germany can produce in four.

And  
that gap is getting wider. It matters because without growth in productivity,  
sustained improvements in living standards will not be possible.

The  
slump in productivity is the major reason we are now looking at the truly  
grim  
forecasts for real wages.

Britain  
has the unique distinction of being the only large, developed economy where  
when growth returned after the financial crisis, real wages fell.

We  
have growth. But that doesn't mean most people are any better off.

Resolution  
Foundation expects real wages to not recover their 2007 level before 2022.

This  
15-year period without a pay rise is unprecedented, they say, in 210 years.

For  
as long as industrial capitalism has existed in Britain, we haven't seen a  
period like this.

It  
is unprecedented. And everything the Tories are doing today is simply  
exacerbating the problem.

The



Budget shambles revealed this.

Nearly  
a decade after the financial crisis they do not have a clue about how to deal  
with its consequences.

They  
are continuing to pursue austerity – despite all the evidence, now clear from  
across the globe, that it has been a disaster for those countries that  
pursued  
it.

So  
we have to now develop our alternative, and win the argument for a radically  
different approach.

We  
need to be far bolder in our ambitions for the constitution.

I've  
spoken of the possibilities of a more radically federal structure for the UK.

Not  
just devolution here in Scotland, or in Wales.

But  
devolution to the English regions, too.

And  
a revival of local democracy everywhere.

If  
they shared little else, both the independence referendum and the EU  
referendum  
revealed a healthy scepticism about centralisation.

There  
is a deep and growing distrust of authority.

Powerful  
institutions are seen as distant, unaccountable, and undemocratic.

Because  
if we're repatriating powers from Brussels, why simply hand them back to  
Westminster?

And  
then why stop at the existing devolved institutions?

There  
is no reason why English counties and regions should not enjoy significantly  
greater freedoms.

Labour  
won all four metro mayoral elections in England last year, and we'll be  
fighting for victories in this year's elections.

But  
we need to go further.

It's  
not just about the powers that government has.

It's  
about getting wealth back into our communities.

Too  
many people, in too many places, have been excluded from economic growth.

That  
means taking a different view of how we own our societies' assets and wealth.

For  
too long we have automatically turned to the private sector when new  
opportunities arise.

Look  
at renewables.

Two-thirds  
of the UK's existing electricity generation capacity will be decommissioned  
by  
2030.

We  
need to move quickly to replace it.

It's  
renewable generation that can deliver. The UK is uniquely well-placed to  
exploit the opportunity.

In  
Scotland you have already undergone something of a renewables revolution,  
which  
of course we should welcome.

However,  
when it comes to who owns and profits from renewable energy the record here  
is,  
at best, patchy. It is good that there is some support through the Cares  
Scheme  
for community projects and that many local organisations have developed local

renewable schemes.

However,

let's be honest – renewables in this country have become a new Klondike for big multi-nationals.

Indeed,

for big projects the automatic propensity by Government is to seek private operators and private money to build and finance them; as shown by former First Minister Alex Salmond making such a big effort with the Qatari Government to sell renewable investment opportunities to them.

This

is a massive missed opportunity for public ownership and control of renewable energy in Scotland.

We

could have saw surpluses reinvested back into the public sector but instead we have saw profit floating to various boardrooms across the world.

Other

countries in Europe are racing ahead of us in installing new, clean renewable generation.

Places

like Denmark and Germany are doing it because they are fostering local and co-operative ownership of renewable energy.

We

could be aiming to create thousands of co-operatives delivering renewable energy.

Our

network of regional development banks will be charged with supplying the finance they need to overhaul our existing energy system.

This

will sit alongside new local energy companies, supplying cheap, clean energy to their local areas and breaking the monopoly of the Big Six.

We'll

be giving power back to the people and letting local communities take control of their own power supply.

We

know there are huge advantages to community ownership.

Research

shows that for every single megawatt of community-owned microhydro installed,

10 full-time equivalent jobs are created.

That is delivering a real boost to some otherwise isolated rural communities, securing jobs and incomes where otherwise there was little.

So the next Labour government will create a "Right to Own".

We'll give workers in a company facing a change of ownership first refusal on presenting their own, worker-owned takeover plan.

Our new regional development banks will support worker-owned businesses across the country.

We'll aim to double the size of our co-operative sector, so it matches Germany or the US.

But I think the same principle has to apply to our communities.

The next Labour government will take this new approach.

It's an approach that means bringing together those parts of our society where co-operation and trust are fostered.

For those on the left, that was a traditional argument for the Union.

The UK state could be a powerful mechanism to redistribute and create a fairer society.

That by pooling our resources through taxation, we can make sure that those who are better off can support those who are not.

It means, in theory, we can deliver the same high quality public services across the whole country.

The  
National Health Service is the embodiment of this principle.

And  
by creating UK-wide institutions we tie our societies together.

The  
economy is always supported and sustained by a dense web of culture and  
institutions.

That's  
one reason the Tories' austerity measures are so criminally destructive –

It's  
not just that public services are being slowly ground into the dirt.

It's  
that the fabric of social life itself starts to become frayed.

The  
institutions we rely on – from the local council to the health service to our  
schools – aren't only there to provide a service.

We're  
not mere consumers of education or healthcare.

How  
we educate our young people and how we look after those who are sick define  
us  
as a society.

They  
tie us together as a collective.

This  
is the principle behind taxation.

I  
raised the issue, before the Budget, of making public the tax returns of  
those  
who earn over a million pounds a year.

It's  
an anti-avoidance measure, inspired by the example of Norway and Sweden.

Public  
disclosure makes it extremely difficult for those who intent on avoiding  
their  
taxes to do so.

It's  
a major reason Norway has one of the lowest rates of tax avoidance in the  
world.

But  
I think it's about more than this.

It's  
about shifting our culture.

If  
you are rich – and if you earn over a million pounds a year, you are in not even the top 1%, but the top 0.1% –

If  
you are lucky enough to be that wealthy, and to pay the taxes that are due, your contribution to society matters.

We  
all want a society that is fair, and seen to be fair.

So  
we in the labour movement are against the dogma from the Tories that views society as a war of all against all.

We  
don't believe, as Margaret Thatcher said, "that there is no such thing as society".

We  
don't believe that you can undermine the institutions that make up the fabric of our social life –

Whether  
they are the NHS, or local councils, or schools –

With  
year after year of cuts.

We  
stand for a totally different vision.

It's  
a vision rooted in our values.

It's  
a vision of a more caring society where opportunities are available to all.

"Secure  
people take risks," as the Cambridge economist Ha Joon Chang put it.

A  
caring society is one that is also able to take risks – to take on great

social  
challenges.

Or  
to allow individuals to strike out, to be entrepreneurial –

To  
invent, and create, and challenge convention.

Those  
who are live in fear of unemployment.

Or  
of what will happen if they grow sick.

Or  
how they will educate their children.

Or  
what will happen when they grow old.

People  
who are consumed by these fears – all understandable – will not take those  
risks.

This  
used to be the privilege of great wealth –

That  
only those with the wealth to do so can afford to innovate.

But  
we don't have to run a society like this.

Technology  
has hugely reduced the barriers against those seeking to establish new  
businesses.

We  
have built strong institutions that foster co-operation.

And  
new technology lets us build new ways of working together, like Platform  
Co-operatives.

This  
is the immense, shared wealth that our society has built up.

If  
we are to face Brexit with confidence, it is the wealth that we must draw on.

We  
will need a radically different vision of how society can operate.

We  
know the world is changing, rapidly –

The  
balance of power and wealth is shifting.

Factory  
wages in China now match those in Greece, and are approaching those in  
Portugal.

Our  
country's position in the world is changing.

We  
can't rely on a single sector to drag the whole economy along – as we relied  
on  
financial services too heavily before the crash.

And  
we can't think again that concentrating resources and wealth in a few hands  
in  
a single city is good for the rest of us.

It  
can't be right that London gets half of all the transport investment in the  
country.

And  
unlike the SNP vision that was for a prosperity built on low taxes for big  
business, and an over reliance of oil and bank profits, and austerity for  
everyone else.

We  
must build new institutions, and spread the wealth of our society more  
fairly.

We'll  
bring in a £10 an hour Real Living Wage, so work always pays properly.

We'll  
deliver investment in jobs and skills across the whole country.

Our  
National Investment Bank and network of regional banks will support  
prosperity  
in every region and nation.

I  
think we can look to our neighbours and see how our society has a huge  
potential that can be brought out.

We  
could look to countries like Denmark, Sweden and Norway.



For  
example, look at Norway where the best public services in the world are  
matched  
by the highest wages.

Across  
these nations you see that measures such as tax transparency at the top,  
affordable child care, and greater equality are the accepted norm.

We  
don't have to settle for second-rate.

We  
can radically decentralise this country –

Put  
power back in the hands of workers, small businesses and communities.

Bring  
the investment needed to redistribute wealth across every part of this  
island.

Labour  
would seek a prosperity based on solidarity and fellowship between the  
nations  
of these isles, and those who share our values in Europe.

We  
will be part of a new Arc of Prosperity – a radically fairer, more equal, and  
more prosperous society.