

# A progressive solution to the public finances crisis

Richard Murphy  
Director, Tax Research UK  
at the TUC, 16 November 2009

# Crisis, what crisis?

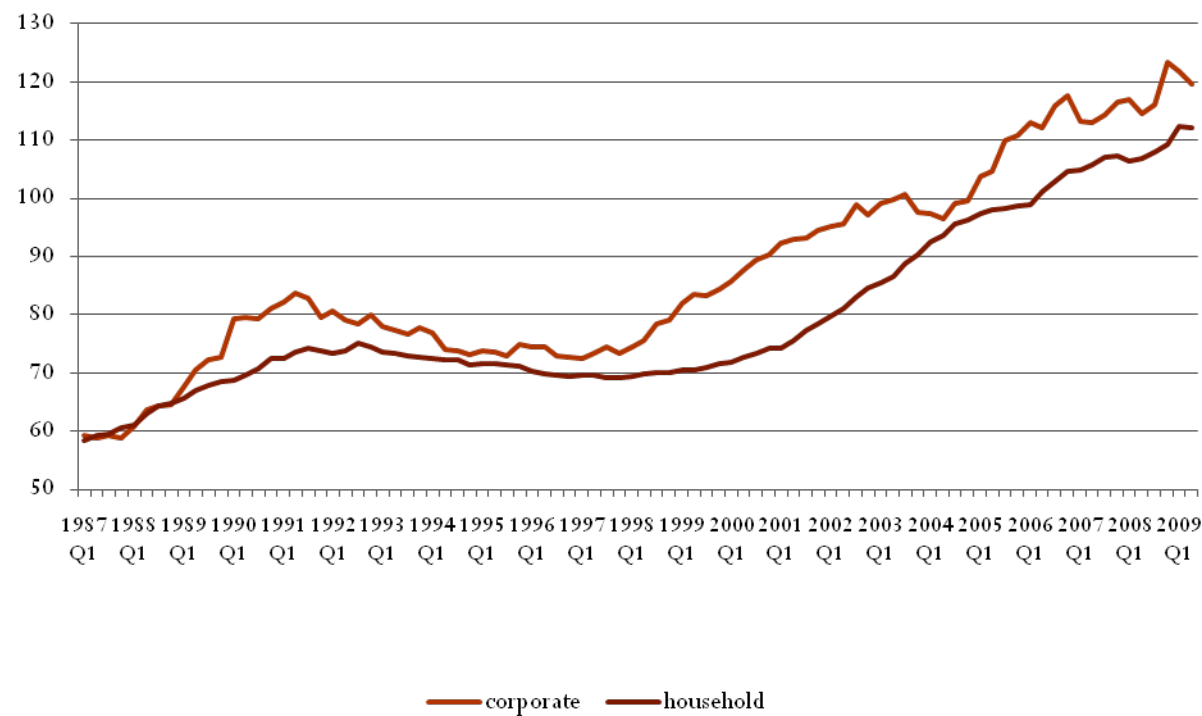
Four issues:

- A lack of confidence in banks
- A mountain of debt
- A collapse in tax revenues
- People are now unemployed

# The Banks

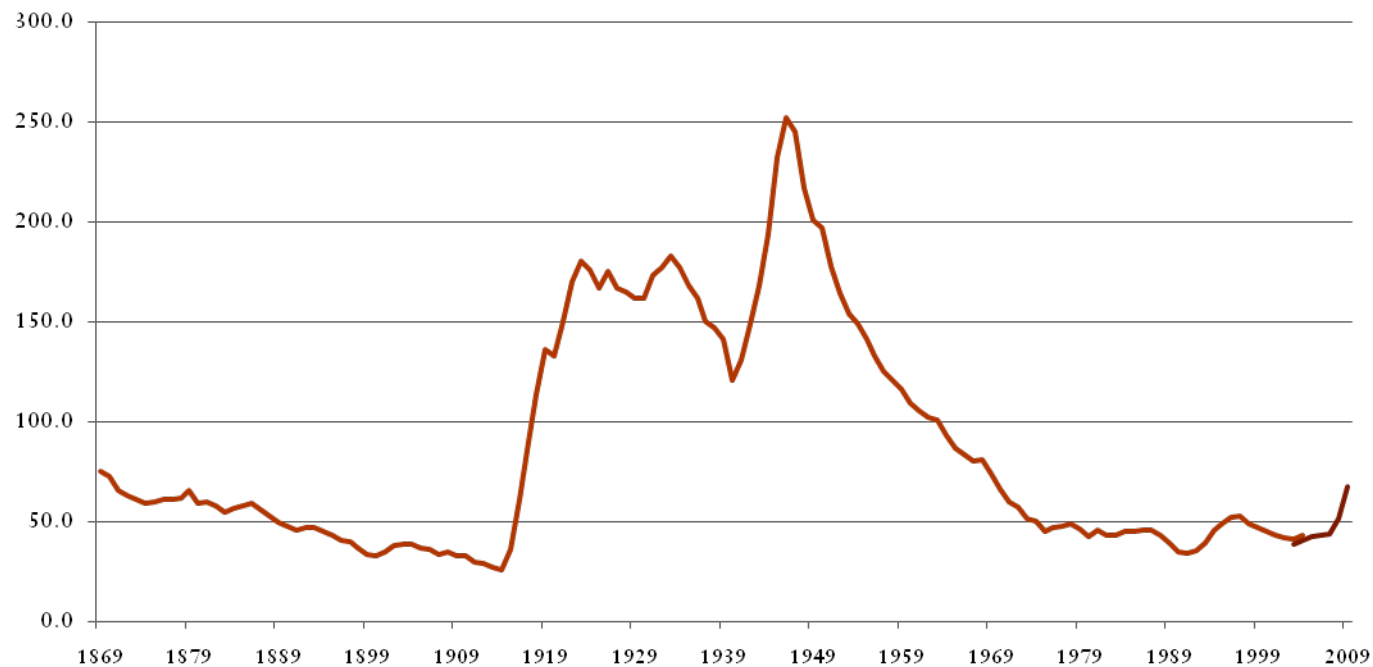
- They were stupid
- The theory that underpinned what they did was flawed
- No one dared argue with them
- And as always happens, the arrogant fell flat on their faces

# UK Debt as a share of GDP



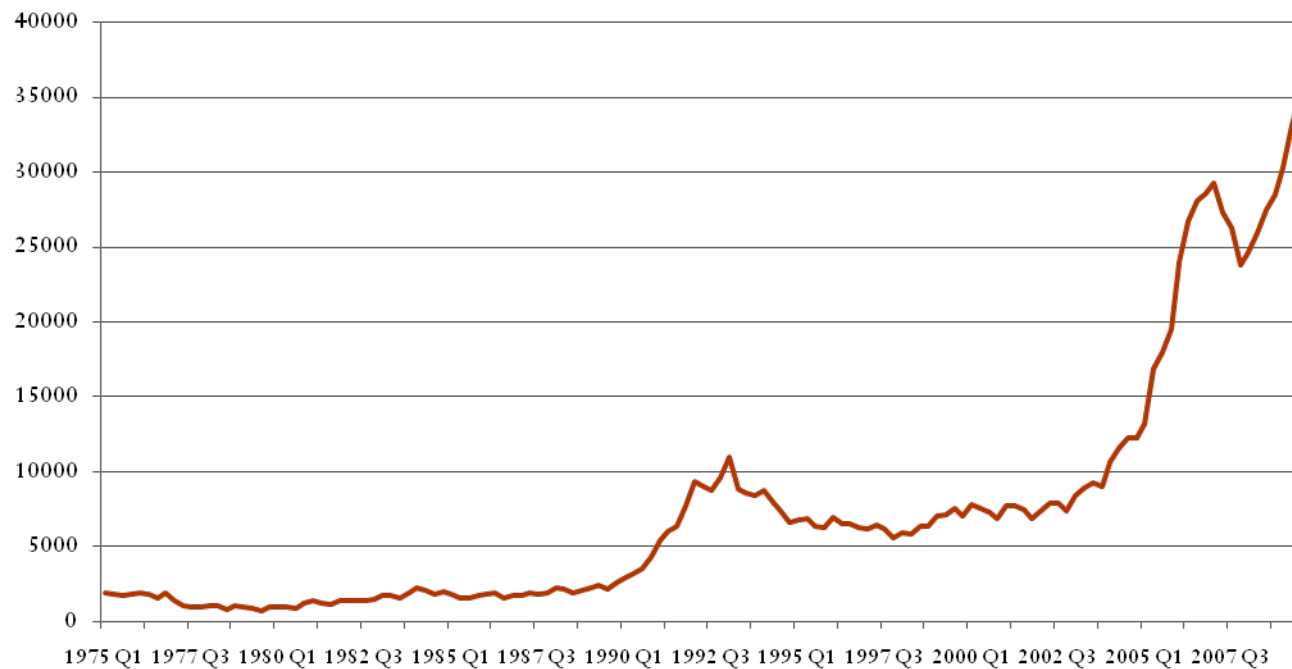
Source: *UK Economic Accounts* tables A57 and A64; corporate debt is shorthand for non-equity liabilities of private non-financial corporations

# UK Government debt



Source: HMT Public Finances Database, table A10; and UK Maastricht Deficit and Debt Statistical Bulletin and Budget 2009

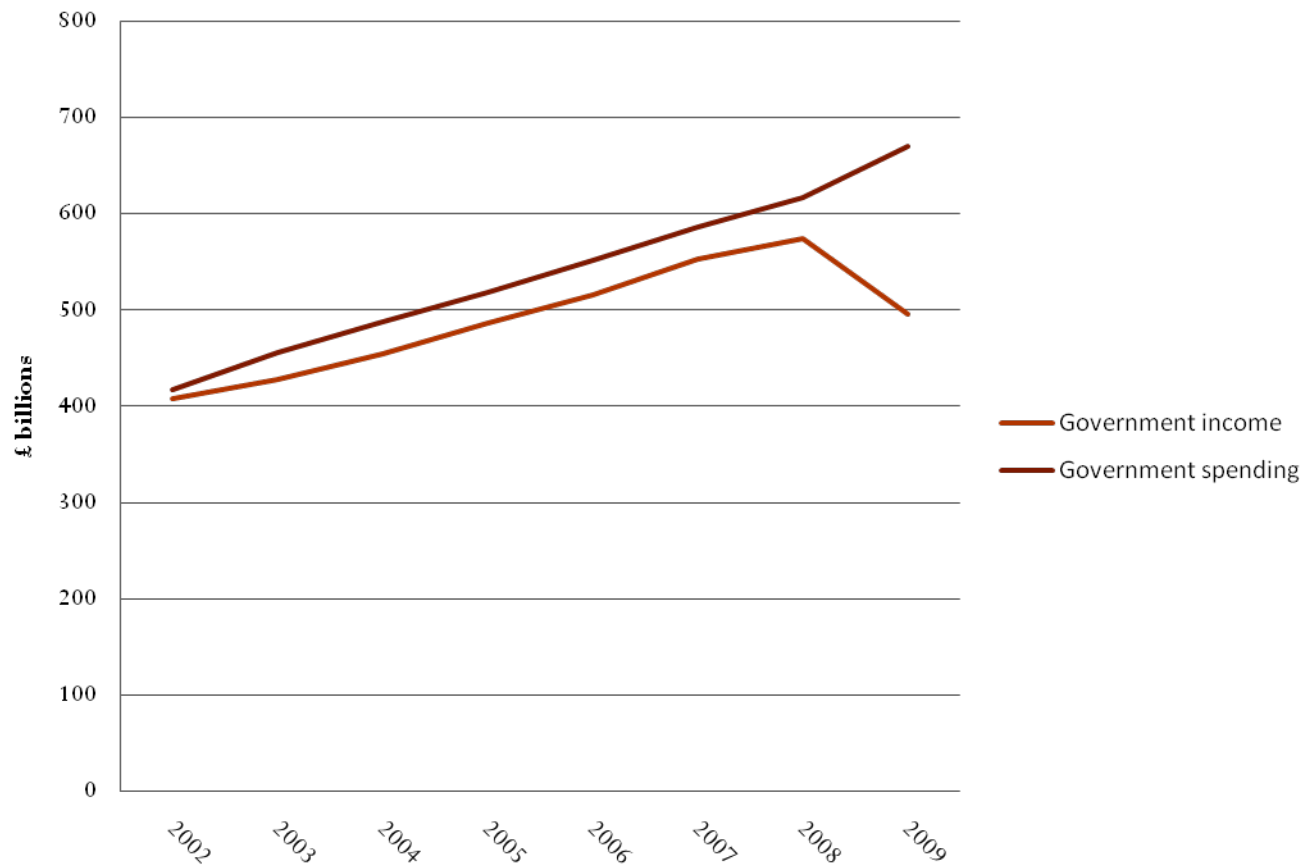
# UK household insolvencies



Source: BIS, Insolvency Service; ONS *Financial Statistics*, table 6.1A, courtesy Geoff Tiley

# The collapse in tax revenues

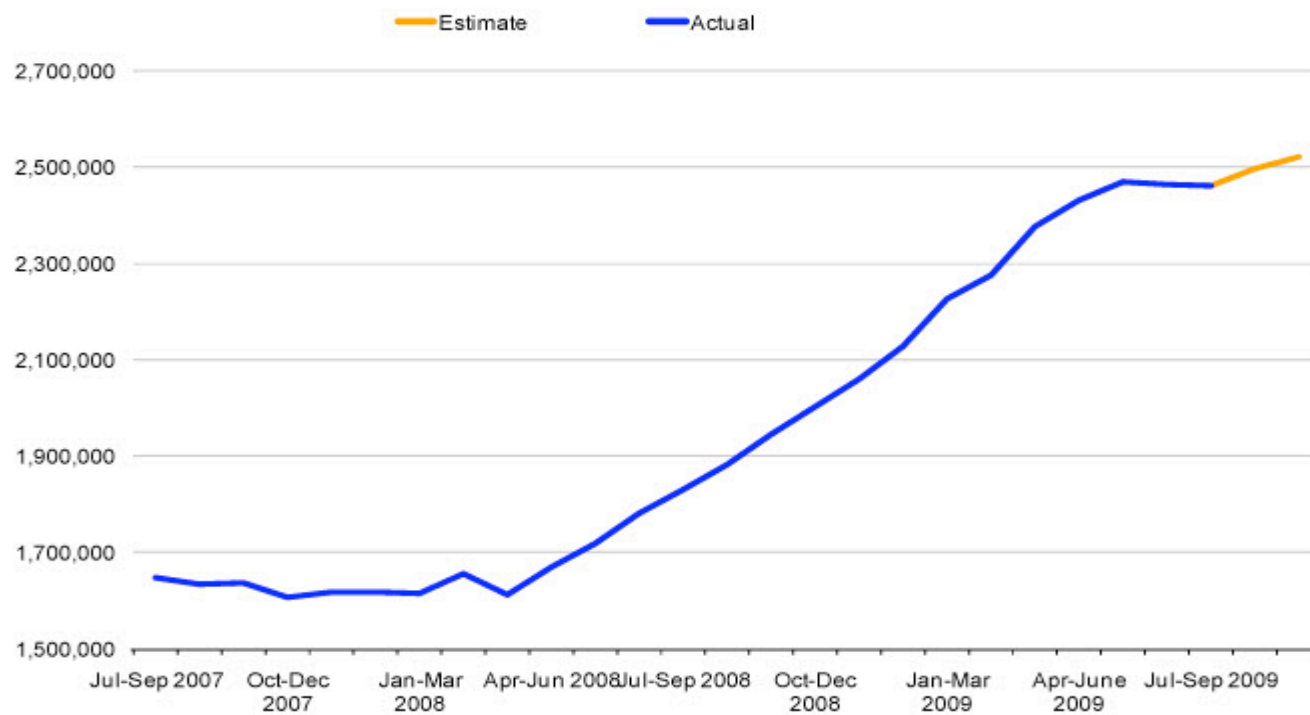
UK government income and spending 2002-2009



Source: HM Treasury Budget statements  
(c) Tax Research LLP 2009  
[www.taxresearch.org.uk/blog](http://www.taxresearch.org.uk/blog)

# UK unemployment

Chart 1: UK unemployment (ILO)



Source: Centre for Economic and Social Inclusion

# What is the government priority?

- Banks
  - Give them everything, and the kitchen sink
- Government revenues
  - Desperation to cut costs
- People / Debt
  - Indifference

# What are the important issue here?

- People
- Debt
  - Mortgages - the grip of death
- Government revenues
- Banks

# The progressive solution to the financial crisis is

- **GET THE PRIORITIES RIGHT!**
- Put people first

# What we must do

- Spend - not cut
- Reform the credit markets
- Raise taxes only when we're back to full employment
- Put banking back in its box

# Spending

- When there's unemployment government spending pays for itself
- Spending must be on investment - not consumption
- Assets, infrastructure, energy saving, essential repairs
- All of this will cut debt – and nothing else will
- **“Look after the unemployment, and the budget will look after itself”**
- Keynes, January 1933

# Credit

- Protect those who face eviction
- Promote good credit practice
- Limit the access to the Provi
- Promote Credit Unions
- Create a People's Bank

# Raise taxes - not promote cuts

- On banks
- On empty houses
- On the highest paid
- On cheating companies
- And more
- The options are there
- The hole can be filled without cutting a single public service

# Banking in its box

- A Glass Steagall Act to split banking up into utility and investment banks
- A 'People's Bank'
- A Green investment Bank to spend quantitative easing into the economy
- A transaction tax to limit speculation
- A limit on pay

# A Green New Deal

- People first
- Our future - our priority
- Spend now because it pays
- Make finance our servant
- This is the progressive route out
- And it's the only one that might work