

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.

The Justice Secretary needs to clearly set out what action her department took in response to that 2015 inspection and why it has not worked – Burgon

**Richard
Burgon MP, Labour's Shadow Justice Secretary**, commenting on the fire at Guys
Marsh prison, said:

"Two years ago the prisons inspector said this was 'a prison that was in
crisis, where managers and staff had all but lost control.'

"The Justice Secretary needs to clearly set out what action her department took in response to that 2015 inspection and why it has not worked.

"Her Prisons and Courts bill does not remedy the crisis. Prisons need action on the ground not gestures from ministers."

[John McDonnell responds to IFS analysis that shows real wages will be no higher in 2022 than they were in 2007](#)

John

McDonnell MP, Labour's Shadow Chancellor, commenting on today's analysis from the Institute of Fiscal Studies (IFS) that shows real wages will be no higher in 2022 than they were in 2007, said:

"This lost decade for living standards is a damning indictment of seven years of Tory economic failure.

"Philip Hammond attempted to present his failing and unfair Budget yesterday as a piece of good news for the self-employed. Today's analysis shows that the reality for low income self-employed people is that changes to the tax and benefit system will leave them worse off. In the words of the IFS, National Insurance changes yesterday "are very small by comparison".

"What we saw yesterday was more failure and more unfairness. After a decade of no real wage growth on top of Tory changes to the tax and benefit system, working people are worse off and will continue to be for the foreseeable future.

"Only Labour will take the action needed to end the Tories' economic failure and introduce a Real Living Wage of £10 an hour by 2020."

Tories' broken promise on jail for knife thugs putting public at risk – Richard Burgon

Despite promising a mandatory 'two strikes and you're out' minimum six-month prison sentence for carrying a knife, new figures from Ministry of Justice reveal that more than 2,000 people with one or more convictions for knife possession escaped an automatic prison sentence.

In response, Shadow Justice Secretary Richard Burgon, said:

"The Tories are letting down the victims of crime by making promises they know they cannot keep.

"Knife crime is on the rise and the public want to be confident that people carrying knives face tough sentences.

"Ministers promised 'two-strikes-and-you're-out' for knife possession, but a third of adult repeat offenders are still not being sent to prison.

"Rather than warm words and empty promises, the Tories need to make sure those who carry these weapons are properly punished."

These statistics demonstrate the total failure of Tories' punitive social security regime – Debbie Abrahams

Debbie Abrahams MP, Labour's Shadow Work and Pensions Secretary, commenting on the Social Security and Child Support tribunal statistics, said:

“These statistics show that two thirds of contested PIP and ESA assessment decisions are being overturned by the courts, demonstrating the total failure of the Tories’ punitive social security regime.

“This follows the news last week that the Government is ignoring a court ruling and denying 160,000 disabled people the support they need.

“We cannot allow disabled people to bear the brunt of failing Tory austerity. Labour will transform the social security system to ensure that, like the NHS, it is there for us all in our time of need.”