

# **Green Party immediate response to the Budget, 22 April 2009**

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Below are (1) the Green Party's pre-Budget statement and (2) an immediate response to the Budget produced immediately after the chancellor's speech.

## **1. Green Party calls for a Green New Deal in the Budget**

We expect the government this budget to run scared of the bankers, be unwilling to invest significantly in the Green economy and create jobs, and be unwilling to switch to green taxation. Instead we will get a further million unemployed, a few largely irrelevant gestures like so called green cars running on dirty electricity, and no significant attack on poverty and inequality.

We need:

- Significant investment in the Green Economy
- Action on poverty and inequality
- A real attempt to sort out the debt ridden money system
- A switch to eco-taxation

## **Investment in the Green Economy**

We called in November for a Green New Deal. We presented a costed plan of £30bn investment in the new green economy. We will continue to do so, not least in the forthcoming Euro-elections. But now even the Government's own environmental watchdog, the Sustainable Development Commission have called for a similar £30bn programme of green investment creating 800,000 jobs. Invested in insulating buildings, solar energy and other renewables, upgrading the electricity grid, public transport (but not electric cars) and green skills training. It's not just us calling for this sort of massive green investment programme, it's the Government's very own expert advisors. To completely ignore such considered advice exposes the cynical and shallow politics of appointing and creating such a body in the first place.

The government are both scared to spend the money and not sufficiently committed to the Green agenda. We can afford it. Most of this is investment, creating a return like energy savings, and it is OK to borrow to invest. And the new jobs will increase the tax take, and reduce money wasted on jobseekers allowance.

The SDC report clearly shows that investing in green measures makes sense where job creation is the goal. It cites the University of Massachusetts PERI study which calculated that a \$US100 billion investment in green measures would create 2 million jobs. The PERI study calculated that the same amount would generate just 600,000 jobs if invested in the oil industry and 1.7 million if given to households directly through tax breaks or other measures

(Note: PERI identified as priority 'green' investment areas retrofitting buildings, mass transit/freight rail, smart grid, wind power, solar power and next generation biofuels.)

## **Poverty and Inequality**

A quarter of pensioners live in poverty. We would raise the state pension to the poverty line of £165pw for a single pensioner, and pay it irrespective of contribution record, lifting all our pensioners out of poverty. Not only that, it would boost the economy – pensioners spend their income. And it would too have an impact on child poverty – many grandparents contribute to their grandchildren.

How would we pay for it?

- Raise income taxes in a gradual manner for high earners, from 55% for those receiving more than £100,000 to 70% for incomes above £1m<sup>1</sup>.
- Introduce non-doms tax (£30,000 per non-dom) as proposed by Labour last year.
- Increase inheritance tax to 65% on amounts above the £325,000 free allowance.

Banning bonuses would be complex and will be hard to make work – the proposed changes to tax provide an alternative that is also redistributive. We need a more equal society, one where no one expects to receive more than ten times the income of the poorest people.

## **The banking system**

It's time democratic government's got to grip with the banking and financial system, and stopped bankers running our lives. We all accept now that there has been too much debt and too much complexity. Yet our government has just bailed the banks out, and the taxpayer will foot the bill.

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<sup>1</sup> If pressed could give detailed rates . New scale would be as follows:

100-150k – 55% (i.e. only income above 100k taxed at this rate)  
150-200k – 60%  
200-250k – 63%  
250-1m – 65%  
1m+ - 70%

That is wrong. Yes, governments must ensure that the basic transaction system, ordinary bank accounts and genuinely useful lending for investment can go ahead. But if some debts go unpaid, if some shareholders lose their money, if some investment banks go bust, that is all acceptable. The government should be more robust in exerting the control it has bought by:

- Bringing northern Rock and RBS properly into the public sector for the time being.
- Ensuring they lend, with priority to small business, green investment and ordinary mortgages.
- Considering ways of turning those institutions into mutuals owned by their customers and also returning banks to scale by de-merging large institutions.
- Banning excessive pay and bonuses.

And we should be bolder internationally. G20 was a lost opportunity. It's time, as some states recognised, to re-design the international monetary system. We need a new international currency, which is not tied to a particular state. It should be backed by genuine wealth, backed by the environment, initially in the form of emission rights.

## **Taxation**

We'd move towards taxing aviation properly. The chancellor could make a start by doubling aviation passenger duty. In the longer run aviation should pay VAT (raising about £10bn) and environmental taxes that reflect the damage it does.

Against the background of massive investment through the Green New Deal in public transport, we should re-introduce the fuel duty escalator over two years to where it would have been had it not been abandoned. Yes we would have the courage to raise petrol to £1.16 a litre at the pumps, rising to £1.46 in 2010. That would raise over £10bn in the first year.

## 2. The Green Party's immediate response

The following table summarises the Green Party's immediate response. It is not exhaustive.

Proposal	Green Party response
£1bn on climate change including £435m energy efficiency, £525m offshore wind.	Far too little, needs to be 10 to 15 times as much.
A year ago borrowing this year would be £38 billion, by the autumn it was £118 billion, and today £175 billion is needed.	Shows folly of building public finances to rely on growth. We need to get to a stable economy.
£9bn to come from Gershon type public sector efficiency savings by 2014.	NAO has cast considerable doubt on how real previous attempts have been. Actually a way to hide real cuts in services.
£500m on new homes.	Not enough. And only £100m on Council houses.
£2000 subsidy for a new car if car over ten years old is scrapped.	Doesn't help environment, much of carbon cost of car is in manufacture. Need cars to last longer. Relatively few jobs. Far cheaper and more effective way to cut carbon and help everyone is public transport.
Cut public sector pensions.	Average public sector pension is only £3000, reflecting poor pay. We want to see better pensions for all, and foundation is the state pensions. Our proposed level is £165 a week.
Budgeting carbon emissions.	We did it in 2007! And we need 10% annual cuts, not 1-2%.
Money for CCS demonstration projects.	Untried technology, will arrive too late. We need things that work now like insulation, wind, solar.
Higher rate tax relief on pensions removed for those above £150,000.	Welcome, as this is existing Green Party policy.
50% tax rate for incomes above £150,000.	Welcome, but only a start.
£1.7bn extra help for jobseekers.	But only £250m for training. Help with finding a job is little good if there are too few jobs to find. Training, though, is a useful way for unemployed people to spend time when jobs are short.
Incentives to get more oil from the North Sea.	Bizarre when we want to cut carbon.