

GROWING THE ECONOMY



ARGUING FOR THE ALTERNATIVE

July 2011 – Issue 1

Invest now in jobs, communities and our youth – for a fairer Britain

Our Tory-led government say they are making huge cuts to public spending to address the economic difficulties we currently face.

We are told on a daily basis by media barons and ‘economists’ that “there is no alternative” and that the present debt and deficit are not sustainable.

We disagree – this is simply not true.

The reality is that the deficit is being used as a cover to unleash a political attack on our public services, the

NHS and welfare benefits because the government and its allies are fundamentally opposed to state provision.

THEY SAY:

- Treasury forecasts of 1.3 million job losses due to government spending cuts is a price worth paying.
- The privatisation of our health service is essential for the future health of our nation.
- Shifting responsibility for the nation's debt from those who caused the crisis to hard working women and men who did not is fair.

WE SAY:

- This is a vicious and completely unnecessary attack on our public services and hard working families. It is a political choice, not necessity.
- The government should be investing in and improving our public services, creating jobs in all sectors of our economy and supporting our communities.

It is an ideological attack on the social fabric of our society and there is an alternative!

There is an alternative

- Protect the jobs we have and create new ones by building the social and affordable housing we so desperately need, updating our national energy, telecommunications and transport infrastructure
- Invest now in our manufacturing industries and downstream supply chain, green technologies, public services and the training of our young
- Put the debt (including interest payments) at the feet of those that caused the crisis; **banks must repay every penny borrowed to bail them out**
- Crackdown on tax havens, tax evasion and avoidance by those who can afford to pay their fair share to address the deficit
- Support trade union rights; protecting workers, their families and wider communities and redistributing the wealth we create throughout our society

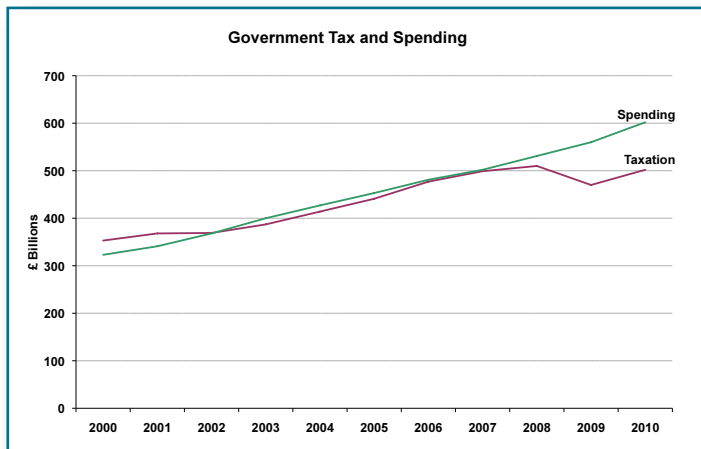
ACTION FOR THE ALTERNATIVE:

Text ‘Cuts’ to
86888

to join in Unite’s campaign against the cuts.

Give out copies of this activist briefing to your colleagues

What has really happened in our economy?



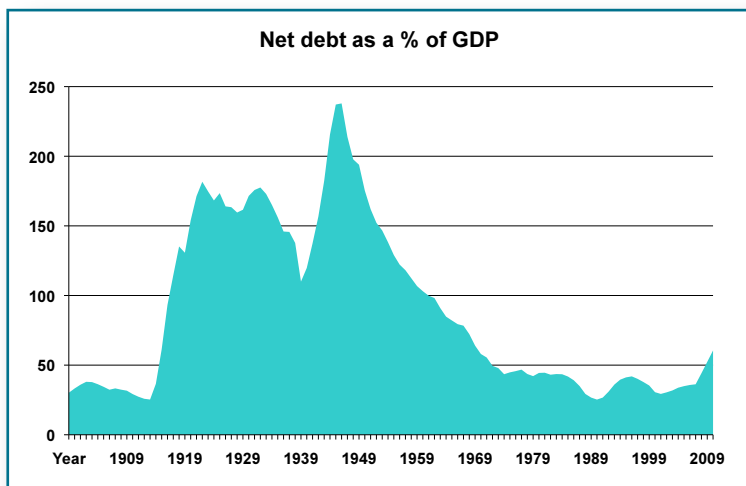
We have experienced a very severe global recession, lots of people lost their jobs and many companies went bust. Because of this the government's tax revenues have declined, costs have increased to pay additional benefits to unemployed workers and the government had to borrow some more money to make up the difference. This is what caused the deficit – not too much spending on our public services.

We must grow our economy to increase the tax revenues again and to stop the risk of even higher unemployment or a second recession.

Government **DEBT** is what a government owes as a result of borrowing money. The government's **DEFICIT** is the difference between what a government receives in income and what it spends in a single year.

They say this is not sustainable ...

We say, history shows us it is normal business!



Government debt is not big compared to what it has been historically. In 1945, at the end of the war, we had borrowed close to £250 billion. We invested this in our society by building the NHS, council houses, schools and a welfare state. As we created jobs tax revenues increased and we paid off our debt.

We have also recently increased our debt as a result of borrowing to bail out the banks. We now own many of the banks, they are our assets, and they must be held responsible for their debt to us, including all interest payments.

The myth of 'the household budget'

The government would like you to believe that their finances are like your weekly budget at home. This is simply ridiculous. This most useful comparison is a mortgage or money borrowed over the long term to invest in your home or other large asset that will grow in value.

All government's borrow money to spend on: building houses, improving our public transport, delivering public services and much more besides. This meets immediate needs but also creates jobs and grows our economy and makes it more efficient. When people are in work they stop receiving unemployment benefits and start paying income tax.

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People also spend their wages on the high street: buying clothes, eating out, enjoying holidays and so on - creating additional jobs and profits for these companies. These companies, their suppliers and the retailers where we spend our money then pay more tax on their bigger profits. All of this tax goes to the government and acts to lower our deficit.

In the past when the government's revenues have increased it can pay off a proportion of the debt. This is the same the world over and it is not unsustainable. Growing the economy in this way is essential to the well being of the nation.

For each **£1 billion** the government spends on health, education and social work it not only means employing people to deliver those services...

...it also means ... more money spent on buying medicines, surgical instruments, computers, uniforms, stationery and other equipment. In total **£1.8 billion** of demand in the economy is created...

...the extra people employed in health, education, social care and the companies that supply goods to these areas all pay the government tax.

This amounts to some £1.4 billion worth of tax and benefit revenue for the government

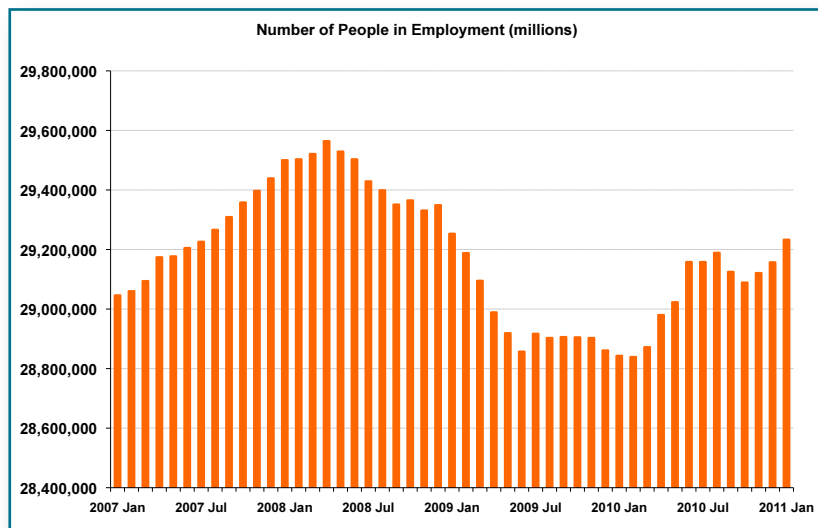
As you can see above, investment in jobs pays for itself. If the government spent an extra **£1 billion**, it would get that money back and make a profit of **£400 million** that it could use to reduce the debt!

Creating jobs

500,000 the number of public sector jobs the Treasury predicted would be lost because of government policies.

600,000 – 700,000 the number of private sector jobs the Treasury predicted would be lost because of government policies.

The number of people working – paying tax and spending in our communities - is still a lot lower now than before the recession. And it isn't because people aren't trying to find a job – **there are currently five unemployed people for every one job vacancy**.



895,000 number of 16-24 year olds unemployed (19%).

216,500 number of workers claiming unemployment benefit for over 12 months.

