

WHAT WOULD YOU CUT, MR MILIBAND?

The question for Labour's new leader

Labour's leadership contenders have finally admitted the need for cuts

*"Let's get some honesty in this debate. There would have been significant spending cuts under Labour and there would have been job losses under Labour."*¹ - Andy Burnham

Both Miliband brothers back Darling's plans for £44bn cuts²

*'It is right to cut the deficit in half over four years.'*³
David Miliband

*'I think Alistair's plan is the starting point.'*⁴
Ed Miliband

And they agree they need to set out how they would cut the deficit

"We've got to be a party that shows how you can get the deficit down ... We must be the party that shows"

David Miliband⁵

"I think whoever is the Labour leader will, by the time of the spending review, have to show that they have an alternative plan ... I would make sure that we did that"

Ed Miliband⁶

But both have opposed billions of action to deal with the deficit:

Raising VAT, in-year savings, linking public sector pensions and benefits to CPI, public sector pay freeze, restricting tax credits to less well off, reforming housing benefit, and ending child trust funds...

And they've added their own unfunded spending commitments

A national living wage; a National Care Service; extended future jobs fund; electrifying the transport network; investment in affordable housing; a British Investment Bank; extending free school meals...

Whoever wins the leadership, Labour has no answers for dealing with the deficit.

David Miliband needs to detail £55bn cuts to pay for his promises

Ed Miliband needs to detail £67bn cuts to pay for his

The question for Labour is: what would you cut?

David Miliband needs to detail £55bn cuts

David Miliband supports £44bn of cuts.⁷ But since the election he has opposed £33bn of measures to deal with the deficit...

Opposed action on the deficit	Saving
VAT rise ⁸	£12.5 bn ⁹
In-year savings in 2010-11 ¹⁰ <ul style="list-style-type: none"> • Including Child Trust Funds¹¹ 	£6.2 bn ¹² £0.5 bn ¹³
Welfare cuts in the Emergency Budget ¹⁴ <ul style="list-style-type: none"> • Including linking public sector pensions and benefits to CPI • Restricting tax credits to only the less well off • Reforming housing benefit • Freezing Child Benefit 	£11 bn ¹⁵ £5.8 bn ¹⁶ £3.2 bn ¹⁷ £1.8 bn ¹⁸ £975 m ¹⁹
Building Schools for the Future ²⁰	£1.0 bn ²¹
Cutting Free School Meals extension ²²	£160 m ²³
Cancelling Playbuilder playgrounds schemes ²⁴	£235 m ²⁵
Capital allowances reduction ²⁶	£2.0 bn ²⁷
Refusing to consider affordability of universal benefits ²⁸	£ uncosted billions
Public sector cuts in South Wales ²⁹	£ uncosted billions
Total:	£33 bn

...worse still, he has made £22bn of unfunded spending promises...

Throughout the leadership election, David Miliband has made billions of pounds of unfunded spending commitments. Just the commitments that can be costed add up to £22bn.

Spending commitment	Cost
Extend Future Jobs Fund ³⁰	£770m ³¹
Extend free school meals ³²	£160m ³³
A National Care Service ³⁴	£20.7bn ³⁵
Living wage in the public sector ³⁶	£ unknown
Create a British Investment Bank ³⁷	£ unknown
Invest in affordable housing ³⁸	£ unknown
Electrify transport network ³⁹	£ unknown
Total cost to the Exchequer:	Over £22 bn

... and he has only set out £11bn of how they can be paid for

David Miliband has called for more taxes on banks. These are proposals Labour opposed at the election in May, when they argued a bank levy needed “international agreement”,⁴⁰ and that the bonus tax “failed”⁴¹ and should be “one-off”:

*“I think it will be a one-off thing because, frankly, the very people you are after here are very good at getting out of these things and . . . will find all sorts of imaginative ways of avoiding it in the future”.*⁴²

Alistair Darling

Even taking these proposals at face value, they raise only £11 bn.

Measure to fund extra spending promises	
Mansion tax ⁴³	£1.7bn ⁴⁴
Extend bankers’ bonus tax ⁴⁵	£2.5bn ⁴⁶
Double the bank levy ⁴⁷	£2bn ⁴⁸
End charitable status of private schools ⁴⁹	£100m ⁵⁰
10% levy on all estates to pay for National Care Service ⁵¹	£4.5bn ⁵²
Total higher revenue for Exchequer:	£11 bn

David Miliband backs £44bn of cuts in Alistair Darling’s budget⁵³

... but he opposes £33bn of action put forward by the coalition...

... has proposed £22bn of spending...

... and only £11bn tax rises to pay for them.

Labour’s planned cuts + (spending commitments – tax rises) = missing cuts

£44bn + £22bn - £11bn = **£55bn**

So David Miliband needs to detail £55bn of cuts.

What would you cut, David Miliband?

Ed Miliband needs to detail £67 bn cuts

Ed Miliband has signed up to £44bn cuts. But since the election he has opposed £34bn of measures to deal with the deficit – even more than his brother...

Opposed deficit cutting measure	Saving
VAT rise ⁵⁴	£12.5 bn ⁵⁵
In-year savings in 2010-11 ⁵⁶	£6.2 bn ⁵⁷
Welfare changes in Budget ⁵⁸	£11 bn ⁵⁹
Public sector pay freeze ⁶⁰	£3.3 bn ⁶¹
Building Schools for the Future ⁶²	£1 bn ⁶³
Refusing to consider affordability of universal benefits ⁶⁴	£ uncosted billions
Total:	£34bn

... worse still, he has made over £28bn of spending commitments ...

Spending commitment	Cost
A National Care Service ⁶⁵	£20.7bn ⁶⁶
Support the Back on Track campaign ⁶⁷	£7.5bn ⁶⁸
A living wage at £7 an hour ⁶⁹	£ unknown
Total cost to the Exchequer:	Over £28 bn

... and his only plan to deal with them is £5bn taxes on banks.⁷⁰

“The right balance of maintaining the bonus tax, increasing the banking levy and introducing a new financial transactions tax can help rebalance our economy away from a reliance on financial services and raise in excess of £5bn revenue.”⁷¹

Ed Miliband promised a full Shadow Spending Review to detail the cuts he is committed to...

“I think whoever is the Labour leader will, by the time of the spending review, have to show that they have an alternative plan, because I don’t think that we can just simply rest on where we were at the manifesto. I think we’ve got to show, looking at the way the figures have been updated, the way the fiscal position has changed, what’s happened in relation to our economy, that we’ve got an updated plan and I would make sure that we did that as the leader.”⁷²

... but now refuses to say:

Victoria Derbyshire. ‘...where would you cut? ... Ed Miliband. We’re not in government’⁷³.

Ed Miliband backs £44bn of cuts in Alistair Darling's budget⁷⁴

... but he opposes £34bn of action put forward by the coalition...

... has proposed £28bn of spending...

... and only £5bn tax rises to pay for them.

Labour's planned cuts + (spending commitments – tax rises) = missing cuts

£44bn + £28bn - £5bn = **£67bn**

So Ed Miliband needs to detail £67bn of cuts.

What would you cut, Ed Miliband?

¹ Question Time, 16 September

² According to the June Budget, the current government inherited a fiscal consolidation programme with a £52 billion spending share – including £7 billion of debt interest savings – from the previous government. When accounting for rounding, this means Labour planned spending cuts of £44 billion (HMT, *Budget 2010*, 22 June 2010, Table 1.1, p. 15). This whole exercise assumes Labour are still in favour of all the tax rises set out in the March Budget, including the tax on jobs.

³ <http://www.davidmiliband.net/2010/08/25/it%E2%80%99s-our-duty-to-expose-the-risks-of-economic-masochism/>

⁴ <http://www.labourlist.org/mark-ferguson-ed-miliband-interview-leadership-courage-change>

⁵ ‘We’ve got to be a party that shows how you can get the deficit down – first of all by growing the economy, secondly by having to reduce spending because we’re not going to be able to have the decade of growth in public spending that we’ve had, and thirdly by raising taxes in a fair way. We must be the party that shows’ Channel 4, *Labour leadership hustings*, 1 September 2010

⁶ Left Foot Forward, 8 July 2010

⁷ <http://www.davidmiliband.net/2010/08/25/it%E2%80%99s-our-duty-to-expose-the-risks-of-economic-masochism/>

⁸ ‘I would not increase VAT’, David Miliband: bringing Labour together, leading Labour to power, 12 Aug 2010

⁹ HMT, *Budget 2010*, 22 June 2010, Table 2.1, pp 40

¹⁰ ‘I stand by what we said in the election, which is that next year is the year to start the fiscal tightening (budget cuts and tax rises) which will be important to get our deficit under control’ (David Miliband, *Coventry Telegraph*, 10 June 2010).

“The Chancellor tried to argue that these cuts were “unavoidable” but they are just too big and too fast. Labour’s plan to reduce the deficit once the recovery was secured helped bring about a return to growth and falling employment. The best deficit reduction plan is a strategy for growth. Now the Tories want to take a massive gamble with that progress.” <http://www.davidmiliband.net/2010/06/22/help-me-oppose-and-expose-america-and-cleggs-broken-promises/>

¹¹ ‘calling on George Osborne and Danny Alexander to change their minds on their decision to...end the Child Trust Fund’ (David Miliband, *Campaigns*).

¹² HMT, Press Release, 24 May 2010

¹³ HMT, Press Release, 24 May 2010

¹⁴ ‘Gone are Health in Pregnancy grants and Sure Start Maternity Grants beyond the first child. The extension of conditionality to benefits for lone parents with children over five has been cancelled, and the child tax credit will be tapered. The baby element of the child tax credit will be removed, they are freezing child benefit, abolishing child trust funds, cutting the free school meals extension and cancelling Playbuilder playgrounds schemes. As a package, these cuts hit children the hardest’, ‘The axe is falling on the smallest shoulders in our society’, *David Miliband: bringing Labour together, leading Labour to power*, 25 August 2010)

¹⁵ HMT, *Budget 2010*, 22 June 2010, Table 2.1, pp 40

¹⁶ HMT, *Budget 2010*, 22 June 2010, Table 2.1, pp 40

¹⁷ HMT, *Budget 2010*, 22 June 2010, Table 2.1, pp 40

¹⁸ HMT, *Budget 2010*, 22 June 2010, Table 2.1, pp 40

¹⁹ HMT, *Budget 2010*, 22 June 2010, Table 2.1, pp 40

²⁰ “Cutting Building Schools for the Future is not just bad for education, it will hit construction jobs.” David Miliband, *FT*, 23 July 2010

²¹ DfE, *News Release*, 6 July 2010

²² ‘Scrapping tax breaks for private schools would allow us to reinstate Labour’s planned extension of free meals’ (David Miliband, *Campaign leaflet*).

²³ DfE, *News Release*, 9 June 2010

²⁴ ‘Gone are Health in Pregnancy grants and Sure Start Maternity Grants beyond the first child. The extension of conditionality to benefits for lone parents with children over five has been cancelled, and the child tax credit will be tapered. The baby element of the child tax credit will be removed, they are freezing child benefit, abolishing child trust funds, cutting the free school meals extension and cancelling Playbuilder playgrounds schemes. As a package, these cuts hit children the hardest’ - <http://www.davidmiliband.net/2010/08/25/the-axe-is-falling-on-the-smallest-shoulders-in-our-society/>

²⁵ 27 Jan 2009: Column 490W, Sarah McCarthy-Fry: In the Children’s Plan we committed to invest an additional £235 million to fund up to 3,500 new and refurbished public play areas nationally, to transform local provision. <http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090127/text/90127w0049.htm#0901281700003>

²⁶ “That is why, rather than abolishing investment allowances for manufacturing, we should double the bank levy.” <http://www.davidmiliband.net/2010/08/25/it%E2%80%99s-our-duty-to-expose-the-risks-of-economic-masochism/>

²⁷ Answers to Parliamentary Questions put down by Matthew Hancock:

<http://services.parliament.uk/hansard/Commons/ByDate/20100914/writtenanswers/part018.html>

²⁸ ‘I think it’s really important that we’re not a society that pensioners who have served this country all their life have to go through the indignity of claiming means-tested benefits like the winter fuel allowance...why are the Tories and the Libs raiding the winter fuel allowance and the child benefit. Because...their economic policy requires cuts in public spending that need them to go into these universal benefit areas...you cited the two earners who are earning £350,000 a year...the idea that you move to a means-tested child benefits system because you are going to find a few people who are earning £350,000 a year each is a terrible price to pay for what is a system that gets money into the hands of the mother’. (David Miliband, Channel 4, *Labour leadership hustings*, 1 September 2010).

²⁹ ‘The Tory cuts are hitting South Wales especially hard. First, slashing public spending risks thousands of public sector jobs which are vital in this region and damages frontline services from education to policing...The purpose of my candidacy for the leadership of the Labour Party is to put that right.’ South Wales Echo, 8 September 2010

³⁰ ‘I want to extend rather than cut the employment guarantee of the Future Jobs Fund’, *Left Foot Forward*, 6 September 2010.

³¹ HMT, Press Release, 17 June 2010

³² ‘Scrapping tax breaks for private schools would allow us to reinstate Labour’s planned extension of free meals’, *David Miliband Campaign leaflet*.

³³ DfE, News Release, 9 June 2010

³⁴ See end note 9.

³⁵ ‘The previous government’s ‘comprehensive’ option (i.e. the one that would involve a levy on all estates) is expected to cost £20.7 billion in 2014’, Department of Health, *Shaping the Future of Care Together – Impact Assessment*, 14 July 2009.

³⁶ ‘Show a lead on fair pay by making the public sector a living wage employer – because no one who works hard should live in poverty ladder’, *Mini-manifesto*, 11 September 2010.

³⁷ ‘create a British Investment Bank to facilitate investment into infrastructure, support good small businesses struggling to access funding and provide capital for export industries’, To grow, Britain must solve its jobs deficit, *Financial Times*, 23 July 2010.

³⁸ ‘Invest in affordable housing...Meet the demand for decent, affordable housing’, *Mini-Manifesto*, 11 September 2010.

³⁹ ‘Protect vital public funding for green growth, especially funds to electrify our transport network’, *Mini-manifesto*, 11 September 2010

⁴⁰ ‘I do think there has to be an international agreement.’ Alistair Darling, *Treasury Select Committee*, March 30th

⁴¹ Supertax on bankers failed, says Darling, *Financial Times*, 2 September 2010

⁴² *Nomura financial services conference* <http://www.ft.com/cms/s/0/435df6e8-b5fc-11df-a048-00144feabdc0.html>

⁴³ ‘We should not be afraid of a mansion tax on pounds 2m houses’, This Budget is the Big Test, *Guardian*, 18 June 2010

⁴⁴ David Miliband's own Robin Hood tax. Has he got the legs to win?, *Evening Standard*, 2 August 2010

⁴⁵ ‘We should not be afraid of ... extending the bankers' bonus tax rather than charge the poorest with VAT rises’, This Budget is the Big Test, *Guardian*, 18 June 2010

⁴⁶ Budget 2010 table C11

⁴⁷ ‘The bank levy will raise only pounds 2bn. It should be at least doubled’, These cuts are not necessary: they are simply a political choice, *Observer*, 27 June 2010

⁴⁸ See Budget 2010, table C11

⁴⁹ ‘... do you back my call for the government to withdraw charitable status from private schools?’

<http://www.davidmiliband.net/2010/06/18/ending-charitable-status-for-private-schools-what-do-you-think/>

⁵⁰ HoC Library, *Charitable Status and Independent Schools*, 14 July 2010

⁵¹ David Miliband endorsed Andy Burnham’s National Care Service policy funded by a 10 per cent levy on all estates: ‘Middle England knows more than anyone else that there’s no such thing as a free lunch. And I admire what Andy’s said about the National Care Service because he’s been ready to say how to pay for it...What Andy has been campaigning on in respect of the National Care Service I think is important...this issue whether or not we can come together as a society and make sure that we’re all part of an insurance scheme that protects all of us not just some us, I think goes to the heart of who we are as a country. After all, we were the country that invented the National Health Service’ (Sky News, *Labour Leadership Debate*, 5 September 2010)

⁵² A 10 per cent levy on all estates (including those not taxed at present) worth above £23,000 would raise around £4.5 billion a year (Office for National Statistics, *Wealth in Great Britain*, 10 December 2009; HMRC, *Inheritance Tax Statistics*, 2006-07).

⁵³ <http://www.davidmiliband.net/2010/08/25/it%E2%80%99s-our-duty-to-expose-the-risks-of-economic-masochism/>

⁵⁴ ‘There are 10 key mistakes that the Coalition government has made in these first 100 days... Raising the most unfair tax – VAT’ (Ed Miliband, *Ed Miliband for Labour leader*, 18 August 2010).

⁵⁵ HMT, *Budget 2010*, 22 June 2010, Table 2.1, pp 40

⁵⁶ ‘I haven’t talked about this publicly, but... one of the biggest sticking points was around their [the Liberal Democrat negotiating team’s] frankly completely macho position on the question of [cutting] the deficit, saying it needs to be now and it needs to be faster. They were completely cavalier about that’ (Ed Miliband, *Independent*, 20 June 2010).

⁵⁷ HMT, Press Release, 24 May 2010

⁵⁸ ‘We shouldn’t talk about getting things reversed, it assumes that we’ve lost the argument. I think some of the things we’ve got to do about benefit changes, I’m particularly worried about what’s happening on Housing Benefit, is to stop those changes happening’ (Ed Miliband, *Labour Uncut*, 21 July 2010).

⁵⁹ HMT, *Budget 2010*, 22 June 2010, Table 2.1, pp 40

⁶⁰ ‘It’s not just pensions that the Tories and Liberals are planning to cut, its [sic] also public sector pay... They will hit those who work in the public sector... It is vital that Labour commits itself to fight on the side of the public sector against the savage and unfair cuts’ (Ed Miliband, *Unions Together*, 22 June 2010).

⁶¹ HMT, *Budget 2010*, 22 June 2010, Table 2.1, p 45

⁶² ‘The freezing of the Building Schools for the Future programme is a dreadful blow for hundreds of children, parents and teachers who won’t now get the new, improved schools they were promised and they deserve... This coalition decision is not unavoidable. The government had a choice. I will fight to save the rebuilding of the schools in our area and I am asking all the families in our area to join me in that fight.’ (Ed Miliband, *Ed Miliband for Labour Labour*, July 6 2010)

⁶³ DfE, *News Release*, 6 July 2010

⁶⁴ ‘And as the Institute of Fiscal Studies showed, they plan to pay the deficit down on the backs of those with low and middle incomes, with a threat to universal benefits such as child benefit and the winter fuel payment. It seems even David Cameron’s TV debate promises to families and the elderly are to be sacrificed. It is essential that we defend these payments. The alternative is a dangerous erosion of the social solidarity that comes from a universal system’ <http://www.guardian.co.uk/commentisfree/2010/aug/29/ed-miliband-labour-leadership-change>

⁶⁵ ‘We need a properly funded National Care Service, as we set out in our manifesto’ *Socialist Health Association*, 13 July 2010 - [link](#)

⁶⁶ ‘The previous government’s ‘comprehensive’ option (i.e. the one that would involve a levy on all estates) is expected to cost £20.7 billion in 2014’, Department of Health, *Shaping the Future of Care Together – Impact Assessment*, 14 July 2009.

⁶⁷ ‘I’m very happy to give my support to the campaign.’ *The Northern Echo*, 25 August 2010

⁶⁸ The Back on Track campaign urges the Government to award a £7.5bn contract for the next generation of highspeed trains, *The Northern Echo*, 25 August 2010

⁶⁹ ‘I want to move towards a living wage of more than £7 an hour’

http://www.unionstogether.org.uk/blog/entry/your_questions_answered_-_week_two_-_living_wage/;
<http://www.mirror.co.uk/news/top-stories/2010/08/29/ed-miliband-interview-115875-22520814/>

⁷⁰ Supertax on bankers failed, says Darling, *Financial Times*, 2 September 2010

⁷¹ ‘I’ll make capitalism work for the people’, *The Observer*, 29 August 2010

⁷² Left Foot Forward, 8 July 2010

⁷³ Ed Miliband, Labour leadership debate, *BBC Radio 5 Live*, 29 July 2010

⁷⁴ <http://www.davidmiliband.net/2010/08/25/it%E2%80%99s-our-duty-to-expose-the-risks-of-economic-masochism/>