LABOUR LEFT
Briefing

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CRISIS….WHAT CRISIS ?

'Events, dear boy, events.' Alistair Darling must be reflecting ruefully upon the comments attributed to the Tory Prime Minister, Harold Macmillan, about what was most likely to blow a Government off course.

The Labour Chancellor's intentionally dull Budget was supposed to evoke a sense of stability, continuity and security. Instead, it looks marooned in a world consumed by the meltdown of its global financial systems.

The collapse of Bear Stearns – America's fifth-largest investment bank – is not just another Northern Rock. Its demise comes because banks, collectively, have lost confidence in the security of lending to each other. A bank whose shares traded at $177 only a few months ago was sold over the weekend for $2 a share. With rumours running round about whether Lehman Brothers or Goldman Sachs will follow suit, the US banking system begins to look more like a car boot sale.

Comparisons are already being drawn between this mess and the financial scams that took the US into the Great Depression. One big difference is that there is no equivalent of 'oil' discoveries to lift the world into an era of new economic growth.

The financial crisis comes at a time when even the oil sector is conceding that there will be a global 'crunch' by 2015. Suddenly the world will be asked to address how (and what) it produces without oil. Everything – from food to basic clothing and from household goods to transport systems – is going to have to be rethought from scratch. The accelerating impact of climate change damage will simply turn this into a rollercoaster experience with no point at which you can get off.

So what was the big idea that the Chancellor brought to the House of Commons in his Budget to address these colossal challenges? The answer, it seems, amounts to a one year hike in vehicle excise duty (VED) on gas-guzzling SUVs, and a call to supermarkets to bring in their own charges on plastic bags.

I appear not to be the only one underwhelmed by this response. The latest opinion polls show that Labour has fallen to a 24-year low in the eyes of voters. It puts the Tories 13 points ahead of Labour – a lead they have not seen since the days of the Thatcher landslide in June 1987. It isn't as though the Tories have done anything. They just have to not be us.

In my own contribution to the Budget debate, I tried to make the point that we no longer have the luxury of producing conventional Budgets in unconventional times. Tectonic movements are beginning to re-shape 21st century society. Governments, used to sheltering behind bland claims about 'light touch regulation', 'non-interventionist policies', and 'leaving markets to be the drivers of solutions', are being confronted by the irrelevance of such measures in the face of large scale change.

Deregulation has turned into asset stripping. Long-term planning comes a poor second to short-term gain. Life itself has been driven off-balance-sheet, with a new moral presumption that 'those who deceive, receive'. Ironically it is the forces of ecology, oil geology and insolvency, rather than politicians, that are now driving these rogue traders out of the temple. The challenge is to define what should follow.

We could stabilise financial markets by taking 'funny money' out of the system. By making directors personally liable for everything that is not fully reported within their annual accounts, we could (and should) also debar companies operating from offshore tax havens for any entitlement to compete for public service contracts. Transferring assets offshore after a contract has been won would also be deemed illegal.

Germany has shown how to change its energy markets without requiring additional taxation. They simply require the industry to fund its own transformation in favour of renewable energy supplies. It cuts out the Chancellor as the middle man.

We could do the same with the motor industry. Instead of raising VED for one year it is easier to require companies to slap a £3,500 levy on gas-guzzling vehicles and offer this as a cross-subsidy in favour of hybrid models. Ten years ago the industry promised that by 2008, average carbon emissions would be reduced from 190 to 140 grams per kilometre. It's a commitment that they have quietly forgotten about. But why not take them at their word. Then, require them to add a £1000 levy on every car with emissions above 140 grams per kilometre and recycle the levy into a programme of retrofit conversion of existing vehicles.

With aviation and shipping, why waste time talking about carbon emissions trading? Simply rank aircraft on the basis of their carbon emissions in the same way we rank fridges for energy efficiency. Then give each airport a carbon-miles allocation, based on their flight activities for last year. All you do thereafter is cut the allocation by 5% a year; leaving airports to work out their own balance of long-haul/short-haul, freight or passenger flights and high efficiency/low efficiency planes.

There is no shortage of ways in which rules can be changed in order to make markets sustainable and accountable. The fundamental transfer, however, is one of power and responsibility. Current Government policies have become little more than a feeding chain for large corporate (vested) interests. Dynamic change comes when powers are transferred in favour of citizens rather than corporations. It comes when industries are required to cross-subsidise ecological 'goods' at the expense of ecological 'bads'.

Even New Labour could argue that this would be government for the many rather than the few. The difficulty is in finding any Minister willing to take on the power and vested interests of the few.

Sadly, change will be driven by crisis rather than vision. When oil prices go through the roof, financial systems go into meltdown or ecological disasters overwhelm us, only then will Ministers be confronted by the scale of their self-delusion. But if we leave it till then, the electorate may already have walked away from us.