The 1992 'Shadow Budget': some further thoughts by Dan Corry

About the Author:

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Abstract:

David Ward has written an excellent and fascinating account of the run up to the 1992 Shadow Budget seen from his perspective as Head of Policy for the then Shadow Chancellor, John Smith. While I played a different – and more junior – role to Ward, my reflections are influenced by my time on the 'other side' including a period as the Chair of the Council of Economic Advisers at the Treasury and Senior Adviser to the Prime Minister on the Economy during Gordon Brown's premiership. I hope this paper will build on Ward's observations and explore the Shadow Budget's relevance to contemporary politics and the challenge facing the Labour Party today. I conclude by recommending how Labour should develop its policy platform in the run-up to the next election.

Labour's Economic Secretariat

I was Head of the Labour Party's Economic Secretariat at the time of the 1992 Shadow Budget. This grand sounding unit was technically, in fact, rather small, consisting of me plus one other, Cathy Ashley. Cathy had been working for the Party for a while, so she showed me the ropes and helped me avoid the obvious pitfalls. The Economic Secretariat was Gordon Brown's creation – established when he was Shadow Chief Secretary to the Treasury during John Smith's time as Shadow Chancellor – and sought to improve Labour's economic competence and the quality of its internal briefing.

Often, we worked together with MPs and advisers from the Shadow Treasury team and with policy specialists from Labour Party HQ on Walworth Road, near the Elephant and Castle in South London.[1] To some extent, we also served the Economic Subcommittee of the Shadow Cabinet which, after a while, was made up on John Smith, Gordon Brown, Tony Blair, and Margaret Beckett.

I joined the Labour Party from the Treasury in early 1989, where I had worked on labour market, industrial and agricultural issues.[2] It was a Party job (not one working for a frontbencher) and I was slightly taken aback to be interviewed by a large group – which included then Shadow Chief Secretary to the Treasury, Gordon Brown - and to be grilled on how many years I had been a member of the Party, almost as much as my economic nous. I later discovered that the appointment – reporting to Geoff Bish as Head of Policy at Labour HQ, the Shadow Chief Secretary, *and* the Parliamentary Labour Party (PLP) was a controversial development in the fight for power between the formal party apparatus and frontbenchers.[3]

While the Economic Secretariat was tasked with improving the professionalism of Labour's economic policy, there were only a few recognised economists in permanent positions. One was Henry Neuburger – a lovely and very clever man who had left the Treasury to provide 'expert assistance' to the Party and, in part, to protest the 1981 Budget – who worked for Michael Foot and, by the time I began working for Labour, was

[1] The term 'Economic Secretariat' was also sometimes used to refer to that larger group.
[2] In 1989, the Treasury still set interest rates and ran all macroeconomic policy – so the labour market element of my job allowed me to work on macro-forecasts as well.
[3] See Colin Hughes and Patrick Wintour, *Labour Rebuilt: The New Model Party* (Fourth Estate, 1990) for a flavour of the changes that were being made in this period.

advising the then Shadow Trade and Industry Secretary, Bryan Gould.[4] Another was John (now Lord) Eatwell, a Cambridge academic who had joined Neil Kinnock's office as a speechwriter on economics in January 1986. Others with an economics background included Sheila Watson (who worked for Margaret Beckett after she had replaced Brown as the Shadow Chief Secretary), Cathy Ashley, and Nick Pecorelli, who later worked with me as part of the core Economic Secretariat.

There were several frontbench and party advisers who knew their patch well – Emma McLennan (social security), Karen Buck (health), Jon Cruddas (trade unions and labour markets) and Paul Corrigan (education) – but there were very few *pure* economists. At the time, this was quite a shock coming from the Treasury where there were scores of professional economists in-house, as well as the hundreds across the Government Economic Service.

Help from others

We also benefitted from the help and advice of sympathetic academics, city economists, and a group of macro and micro modellers. Neuburger had established a group called 'Modellers for Socialism' which, in his mind, was best used to inform what a 'Left' approach to economic modelling should be. When I took over the group, I used it to think through our policies and to make sure that their models could demonstrate that our policies would really work – allowing us to fight back against a sceptical press on commitments such as introducing the Minimum Wage, increasing public spending, and various tax and benefit changes.

I encouraged them to publish along these lines if they felt the evidence was strong enough, as positive comment from experts – and the City and business – was particularly helpful in rebutting the Conservatives' claim that Labour's policies would cause economic disaster. Members of 'Modellers' – working in a purely personal capacity – included economists from organisations like the Institute for Fiscal Studies (IFS), the National Institute of Economic and Social Research (NIESR), the London Business School (LBS), the London School of Economics (LSE), and Oxford Economics. For major events like the

[4] For more on Neuburger and his work, see Neil Fraser and John Hills (eds), *Public Policy for the 20th Century: Social and Economic Essays in memory of Henry Neuburger* (Policy Press, 2000).

Budget – which are particularly difficult for the Opposition to respond to[5] – we were also helped by a number of academics and economic experts, while another advisory group coordinated by John Smith's very experienced, part-time economics adviser, Andrew Graham made important inputs into policy and strategy.

'As resources allow …'

In general, the Economic Secretariat did a lot of briefing, primarily for parliamentary debates, Oral Parliamentary Questions (PQs) and for speeches and the Party's 'attack lines'. In a world of limited resources – as has historically been the Opposition's lot – it is incredibly powerful to be writing briefs for Shadow Cabinet members or for the PLP.[6] In the Treasury, I contributed to and saw the regularly updated 'TWEB' (the Treasury Weekly Economic Brief) that covered every subject under the sun with the lines to take on each, while in Opposition, we were it. We received clear ideas and 'steers' from politicians, but writing the briefing, sourcing statistics, choosing what data and issues to focus on, allowed us to influence the Opposition's tone and, ultimately, a lot of its policy decisions.[7]

I was appointed towards the end of the drafting of *Meet the Challenge, Make the Change* – one of the key policy review papers which sought to row back from the Party's old policies as the 1980s ended – and, given my Treasury background, I was tasked with making our policy proposals hard to cost. As a civil servant, I had been involved in the background work that allowed the Conservative Party to 'cost' their 1987 manifesto, so I knew how to make it hard – which meant avoiding too much detail or giving definite time scales. *Meet the Challenge* contained a useful statement about Labour's desire not to spend 'more than the country can afford'.[8] As we went forward, the phrase 'as resources allow' started to be used a lot more and was strongly promoted by Margaret Beckett when she became Shadow Chief Secretary in January 1989.

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[5] The Opposition's difficulty in responding to major events like the Budget is compounded by the precedent that the Leader of the Opposition, rather than the Shadow Chancellor, delivers the Opposition's response in the House of Commons.

[6] It should be noted that the Opposition doesn't have much access to other information on a day-to-day basis.

[7] The interconnected nature of policymaking meant that myself and other members of the Economic Secretariat were also directly involved in all aspects of policy development in Opposition.

[8] In his MEI paper (pp.9-10), David Ward interprets this as meaning that Labour could not borrow more than the Conservatives, but I think it technically gave a lot more room than that.

This was not only a way of saying that we would not spend irresponsibly, but it was also a way of focusing on the political divide over the use of any proceeds of growth. We were, of course, arguing that our policies would lead to higher growth – macro models demonstrated this, but they are never very good at having supply side policies, as opposed to aggregate demand ones, showing up in growth projections.[9] While the argument that our policies would generate higher growth than the Conservatives' was often used, the argument that we would spend extra revenues that did emerge from growth on better public services (rather than tax cuts that the Conservatives favoured) was just as important in this period. Despite all this work to avoid easily 'cost able' spending commitments – which led the leadership to 'take on' many in the Party who did not like it – and formally having very few definite spending commitments, it is hard to deny that Labour still appeared, in tone, to be itching to spend to reverse many damaging spending cuts. As David Ward outlines, the Conservatives would use that feeling very effectively in the 1992 election campaign.

Why a Shadow Budget?

All the way through we knew that our ability to convince the public that we could be trusted on the economy was crucial to winning the election. As Ward outlines, the debates around that led to a feeling that we should present a fully worked-out Shadow Budget before the election to counter the Conservatives' inevitable scare stories. However careful we were, I knew that the Tories would put a costing on our proposals and warn of a 'Labour tax rise'. Despite our attempt to make our policies difficult to cost, Conservative ministers and special advisers would simply tell officials to use certain assumptions to cost them – so the Shadow Budget seemed a way to counter this. It also had the advantage of showing that we were 'governmental' hence, as Ward notes, the Shadow Budget was presented as though it was a formal government document, with a mock-up of the official red cover.

There were great risks in this – and I probably felt them more than most, having first-hand experience of how scores of government officials would be tasked with trying to pick the Shadow Budget apart. Our numbers would *have* to stack up – there could be no flaws, or

[9] Some modellers were prepared to say that growth would be a *little* higher under Labour – but argued that Labour would bring about a higher Public Sector Borrowing Requirement (PSBR). One example is Peter Marsh, 'Researchers favour Labour economic plan', *The Financial Times,* 6 April 1992

we would be 'roasted' – but its success would be judged on how it worked electorally. Ultimately, it was for Labour's politicians to determine what would stack up politically.

The bones of the package

The outlines of the Shadow Budget were clear quite early on. Before I started working for the Party, Labour had committed itself to substantial rises in the state pension (£5 for an individual or £8 for a couple) as well as increases in Child Benefit.[10] While Shadow Cabinet ministers did not ever really consider going back on those commitments, there was – as David Ward outlines – some pressure from Philip Gould (and like-minded advisers) to do just that.[11] Given that we had decided that we did not want to expose ourselves to attack by committing to borrow more than the Tories – and we did not want to cut spending, although we did suggest that the Government was wasting public money on projects that went way over budget - we had to cover spending commitments with tax increases. The question was: *which taxes to increase?*

On a point of principle, we felt – as all serious experts did – that that the 'upper ceiling' on National Insurance was an issue. It was clearly unfair that, unlike with Income Tax, you would not pay any more National Insurance above a certain threshold. Saying that we would abolish it made sense and had been party policy for a long time. It also had the advantage of setting out an increase in a tax that most people did not understand – hence part of its popularity when used to pay for substantial increase in NHS spending in 2002. Likewise, this also explains why the then Chancellor Rishi Sunak raised National Insurance, rather than Income Tax, to pay for social care and tackling the NHS backlog – something that has since been reversed.

The risks in Labour's package

However, this was problematic. Overall, it was true that scrapping the ceiling would not hit people on average incomes – especially if you also took into account the proposed increases in Child Benefit and pensions. Indeed, the point that it 'bit' at looked very high

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[10] For the history of these pledges, see Peter Sloman, 'Better off with Labour? Fiscal Policy, Electoral Strategy, and the Road to John Smith's Shadow Budget, 1979-92', *Historical Research,* Vol 95/No 267 (February 2022).

[11] Not least because polling was showing that Labour's 'score' on economic competence was falling. See note from Chris Powell to John Eatwell, Philip Gould et al, entitled 'Economic Competence Rating' (dated 31 January 1992) in the Kinnock Papers (Ref: 6/1/42) at the Churchill Archives Centre, Cambridge.

to some, especially MPs representing seats in Scotland or the North of England. But, I well remember the more-junior and London-based members of the Shadow Treasury team – most notably Chris Smith, then MP for Islington South and Finsbury, and Paul Boateng, then MP for Brent South – noting that, in terms of wages in London, the changes would 'bite' quite low down. Even 'left wingers' like Michael Meacher were anxious and, as Professor Patrick Diamond has noted, it was 'a proposal which even the left-wing MP, Ken Livingstone, decried as a cap on aspiration'.[12]

More than that, experience showed that even those who would not be affected by the end of the NICs ceiling were often anxious about Labour putting up taxes as it reinforced the view that the Party was against aspiration – everyone hopes that one day, they will be on a higher income. This was not helped by the fact that most of the London political journalists had no idea what the median income for most people was. They typically assumed that they were somewhere in the middle, or slightly below themselves, when, in fact, most journalists were paid miles above what most people earned.

To try and raise the income threshold where people would be worse off under our plans , we proposed other changes. Most noteworthy was the proposal to end the 'entry fee' into the NICs system – whereby while you paid nothing below a certain income, you had to pay 2 per cent on that income as soon as you were above the threshold. We had also planned to cut the main rate of NICs.

In addition, to explain how we were raising revenues in a fair way, we had set out that we would bring in a new higher rate income tax threshold at 50 per cent, emphasising that it was below the 60 per cent rate that existed until Nigel Lawson reduced it to 40 per cent as recently as his 1988 Budget. A lot of this was public knowledge well before the Shadow Budget – as it had featured in various party documents and Shadow Cabinet speeches – but it helped to present it as a complete package that made most people better off.

Timing of the Shadow Budget

There was some debate as to when the Shadow Budget should be launched. One option was to launch it well before the election date to allow the public to absorb what we were talking about. However, that would have allowed the Conservatives to undermine our

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[12] See 'Note from Meacher to Kinnock' (dated 22 January 1992) in the Kinnock Papers (Ref: 6/1/42) at the Churchill Archives Centre, Cambridge; Patrick Diamond, 'It is never "Labour's turn": Learning from 1992', *Progressive Britain,* 8 April 2022, available at: https://www.progressivebritain.org/it-is-never-labours-turn-learning-from-1992/

proposals in their own Budget, which was going to be held just weeks before the general election. It was finally decided to release the Shadow Budget shortly after the Government's Budget was announced.

Responding to Lamont's Budget

This gave us a problem though – as, naturally, the main political aim of Norman Lamont's Budget in March 1992 was to make life hard for the Opposition in the run-up to the general election. We had a sense of what Lamont *might* do, anticipating that he would announce a cut in the main rate of income tax. However, Lamont played a clever card. He introduced a new 20p rate of income tax for the first £2000 of taxable income, which was presented as the first step to a new 20p basic rate and forced us to quickly reassess our plans and respond to his proposals.

This was much better targeted at lower income taxpayers than the income tax cut and we agreed that it was impossible for us to oppose his proposal. It meant that Lamont's package would look (slightly) better for those on lower incomes than Labour's, spooking our leadership and creating a need for us to do more for the poorest in our Shadow Budget. This was partly to do with how we appeared to the electorate, but also because many Labour MPs would find it hard to stomach hearing the Conservatives say that they were offering more to those on lower incomes than Labour was. So, instead of a planned – and 'surprise' – 1 per cent cut in National Insurance contributions, we decided to raise tax thresholds. The net result of this was that we could say that we had trumped the Conservatives in our offer to lower income people, although, in truth, the difference for many was not enormous. One calculation showed that 'hard-working families' would be better off by, on average, £311 per annum under Labour. Of course, it was also the case that the point at which people were worse off was lower than we had originally intended.

Preparing for the Shadow Budget

The period running up to the Shadow Budget's launch was very tense. Again, I felt the weight of the hundreds of officials that would try to take our numbers apart – looking for any commitments where we had got some of the numbers wrong or made obviously daft assumptions. As I outlined earlier in this paper, we wanted our numbers and the distribution numbers (gains by households at different income levels) to be supported by experts. A team at the LSE – led by Holly Sutherland, with Tony Atkinson, and linked to us through LSE secondee, Karen Gardiner – ran our numbers through their model. In addition, we allowed the IFS to have the proposals in advance to check that their tax and benefit simulation models supported our proposals and to ensure that they would say so publicly if needed – which would be matter after the Shadow Budget was launched. Indeed, nobody said that our numbers were wrong![13]

Post Shadow Budget debates

After the Shadow Budget was launched in March 1992, there were big arguments about all sorts of details. One point of debate was about first year costs versus full year costs. Our spending would come in straight away, but tax and NI changes bring in revenue with a lag, so would we be able to raise enough to cover it in the first year? If not, did that leave us with a substantial gap? Of course, in the grand scheme of things and given the size of the macro aggregates on the deficit and debt, this was a ridiculous argument, but our commitment not to borrow more than the Tories meant that it became quite a big deal.

Equally daft – at least in hindsight – was an argument about exactly who would be hit and whether we were being more, or less, tough than the Wilson-Callaghan governments on what the right-leaning press liked to call 'middle earners'. Anatole Kaletsky (the Economics Editor at *The Times*) led the charge and, while we had prepared various counter attacks, arguing about minute details did us little good. While it had to be done, it simply allowed stories about whether our plans added up to get airtime. In practice, it wasn't long before the Conservatives stopped attacking the Shadow Budget *per se* and got back to claiming that *every* family would have to pay an extra £1250 in tax under Labour's programme.

It's very hard to argue that the Shadow Budget lost Labour the 1992 election – which most academics agree on – but it was unable to 'box off' the fear that the Conservatives fed on that the Labour Party would put up taxes that might end up being for 'you'.

The lessons of 1992

Shortly after the Party's defeat in the 1992 election, Nick Pecorelli and I wrote a paper for Gordon Brown on what we felt the lessons were in terms of economic policy and campaigning.[14]

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[13] One of the issues was that these groups used relatively new tax and benefit models to look at the whole population and break them down by decile of income. However, many financial journalists (including Anatole Kaletsky) used particular types of families with particular income levels, number of children, mortgage status etc to make things look as bad as possible – and these got much more coverage than the better, more representative, microsimulation models. Thirty years on, I'm not sure much has changed!

We emphasised that, if you do not have a firm reputation for economic competence, it is particularly hard to win an election, whatever else you do.[15] On spending and tax, we argued that we needed to avoid definitively deciding our policies too far in advance of an election, to tone down our spending commitments and the desire to spend more on everything, and to be clear about what *was* and *was not* a firm commitment to stop the Conservatives from totting up anything and everything any Labour person had ever said to imply that we would increase spending.[16] Overall, we said that 'the bottom line remains whether we can convince people that we will increase spending without them fearing higher tax as a result'.

The fact that we had lots of experts on our side – often publicly – must have helped, but it was not able to overwhelm the emotional pull of the often-repeated claim of '£1250 more tax for the average family', or the public's general mistrust for Labour's economic competence.

So, what are the similarities to today?

Of course, 2023 or 2024 are not 1992.[17] Much is different – the economic situation, the state of our politics and political ideology, the demographics of the UK, the levels of tax and the performance of public services, the (folk) memories of previous Labour governments, the experience of recent Conservative governments, and the public's perception of Labour's leader, Sir Keir Starmer.

Labour politicians and advisers will have to work out where we are – not an easy task given the recent turmoil in Conservative economic thinking, the poor state of the UK economy, the global economic and political outlook, and the nervousness of the financial markets. Exactly what the situation will be by the time of the next election – which could

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[14] 'Economic Policy and Presentation: Some Thoughts' (dated 7 September 1992), from the author's personal collection.

[15] The infamous phrase, 'It's the economy, stupid', was coined by Bill Clinton's successful campaign team shortly after this.

[16] On the first point, the key lesson of the past is that whatever the current economic conditions, they are unlikely to be the same come the next election.

[17] Sam Freedman has made this case well in terms of public attitudes and the meaning of aspiration today in 'The Changing Politics of Aspiration and Fairness' in his Substack. It is also the case that the Opposition must avoid sounding too gloomy and unambitious, see Dan Corry, 'The left must beware of excessive pessimism', *The New Statesman,* 31 January 2012, available at https://www.newstatesman.com/business/economics/2012/10/left-must-beware-excessive-pessimism

be almost two years away – and how that will affect the mood of the electorate is impossible to say. For me, that means being careful about getting into too fixed a position on most issues, however hard that is when people – especially commentators who need something to write about, and party activists who are impatient for change – demand more detail and ask what Labour would do now in government.[18]

As ever, there is also a tension between what the Labour Party needs to emphasise to get elected, and what it might *have* or *want* to do in office. This is even more the case as it looks like if Labour wins the next election, they will inherit a *very* weak economy and ravaged public finances. A good manifesto for the next general election has to take this into account.

Conclusions for current times: to be bold or cautious?

We look to be in dark economic times. The Conservative government's hope that, by the second half of 2023 going into 2024, things will have begun to turn up enough for the public to really feel it, is very risky and looking increasingly unlikely. They may well go on right to the end of 2024 in the hope that *something* turns up.

It is often debated whether people are more likely to vote for a Labour Opposition in tough economic times – when people may say that the Tories understand economics more and vote with their wallet – or in good times when they can relax and feel they can let their heart rule their vote. As Norman Lamont admitted in his 1992 Budget speech, things were particularly bad ('over the year as a whole, GDP fell by nearly 2.5 per cent, ½ per cent more than my forecast of a year ago'), but the voters still stuck with them.

If we are in difficult times, will the marginal 'floating voter' be happy to risk their taxes going up – if the Tory attacks make them think that a strong possibility as a result of a Labour win – or will they want to stick with what they know? Or maybe will they be in the market for a different approach, with serious spending promises on our infrastructure and our public services?

Today, the Labour Party has a chance to present itself once again as the party of economic competence, with the Kwarteng-Truss fiasco playing the role of the UK's forced exit from the European Exchange Rate Mechanism (ERM) which destroyed the Conservatives' reputation for being economically sound for a generation or more – as David Ward

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[18] As a rule, the Opposition should surely avoid answering hypothetical questions about its programme with too much precision this far away from the next election.

effectively argues in another recent paper for the Mile End Institute. Judging how to do this is the key – and most difficult job – facing Labour's leadership over the next year.

Recommendations for Labour in 2023

On Growth

As we did in 1992, Labour will want to argue that it has the right policies to boost growth, ahead of the next election. They seem to be on an even better wicket for this than we were in 1992. While growth was poor under the Conservatives in the run-up to the 1992 election, it has been poor for over 12 years now – with real household disposable income falling in recent years and being felt strongly by the public. Only some of this will be discounted by the public as being caused by problems outwith the Government's control such as the Covid pandemic and the ongoing war in Ukraine.

Labour's plans for growth will probably make sense to most economists and the public as well, although, as ever, some of what needs to be done over the longer term never makes for fascinating reading for the public – improving vocational training, devolving powers across the UK, more infrastructure spending, and so on. Equally, however good Labour's policies are, it is almost impossible to say that higher growth can be achieved quickly – so arguing that higher spending in the short-term will be financed by extra growth is a hard argument to win.[19] Higher growth *must* be part of Labour's narrative, but it only gets one so far.

On Borrowing

Once again, Labour must decide whether it is going to say it is going to borrow more than the Conservatives or not. Some people will think that this is a no brainer – there is so much that needs doing and, of course, Labour should be able to say that they would borrow more, especially if it is borrowing to invest.

Besides, the Conservatives have already borrowed vast amounts since 2010 – and the debt-GDP ratio has soared – and sensible increased borrowing is arguably the right thing to do, not least in the dire economic situation we are in and with the fast-deteriorating state of public services.

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[19] The fact that Liz Truss's 'dash for growth' was demolished so quickly by the financial markets makes it ever harder to argue that higher growth can be achieved very quickly.

However, the accusation that Labour will borrow loads, put our children in debt, worry the markets, lead to big tax rises further down the road, has always chimed with the public – Keynesian economics has never cut it. Maybe, it will be different this time, but maybe not! In recent times, Labour has been strongly opposed to borrowing to fund tax cuts – an echo our approach in 1992. This has worked well – even more so during Liz Truss's brief premiership – although the Tories have been reversing their stance recently. It is noteworthy that [Keir Starmer went out of his way in his New Year speech] to play down the expectation that the 'big government chequebook' is the answer to everything.

My guess is that, even if Labour said it would only borrow a few billion pounds more than the Tories and would dedicate it to investment in the NHS for instance, it would still lead to claims that Labour was being profligate – with every spokesperson being grilled on how Labour would pay for it. While deficit rules can help here, one needs to be careful not to box oneself into too rigid a rule that won't allow borrowing when it is clear that the economy needs and can cope with it – especially if Labour has a credible plan to get it back down again in due course.

This is not an impossible task – not least because the last 12 years have accustomed economic analysists to ever-changing fiscal rules.[20] Labour's commitment to work within what the Office for Budget Responsibility (OBR) says is possible also helps bolster its credibility in ways that we did not have in 1992 – which has led many progressive economists to argue that the OBR should be strengthened.[21]

Given heightened awareness of what the markets can do to a government if they think it is being reckless on debt and inflation, this is, arguably, even more sensitive now.

On Taxes and Spending

Of course, if Labour does say that it will not raise borrowing above what the Conservatives plan to do, then any extra spending in the shorter term must come from taxes.

Now, you can go a fair distance on taxes that don't hit households – especially taxes aimed at the very rich – be that on wealth, Capital Gains Tax, or 'non-dom' status, but be careful on Inheritance Tax. There is more to be done on business taxes, although it is not

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[20] For example, the period over which the current budget must balance or the date by which debt will begin to fall as a share of GDP.

[21] See Dan Corry, 'Where is the (British) centre left now on macro policy?', *Renewal,* June 2013, p.41, available at: https://renewal.org.uk/wp-content/uploads/2020/09/corry_final-1.pdf

wise to get business against you during an election campaign if economic growth is going to be your main priority.

Does that mean Labour should not pledge to put up taxes – or, at least, personal tax rates – as the New Labour playbook says? Or does it mean that Labour should try to be specific on what it would put up to try to counter the scare stories – as we did in 1992?

The early days of Liz Truss's premiership demonstrated that the Conservatives were out to badge Labour as a 'high tax' party – even putting windfall taxes in that category with Truss refusing to adopt them herself, despite their evident popularity with the electorate. Three months on from Truss's resignation, the situation has changed after the retreat from the 'Mini Budget' but I would bet that the Conservatives will rely on the same tactics as they did in 1992, especially as they will have very little left to offer.[22]

A slightly recovering economy – and a call not to risk it with Labour – could still entice 'floating' voters whatever the current opinion polls say. It is also very likely that the Conservatives will announce that they will cut tax *if* they win the election.

The public's impression of Labour's policies

I think 1992 shows that being precise on what income or National Insurance taxes you intend to put up does not necessarily neutralise the tax issue. Instead, it allows a debate about tax to take centre-stage during the campaign – and that is rarely good for Labour. It allows the Conservatives and their supporters in the print and broadcast media to claim that Labour is itching to raise taxes. As 1992 showed, it doesn't help the Party counter the suggestion that it will ramp up taxes if Labour itself sounds like its answer to everything is to spend more.[23]

In 1992, we were successful in avoiding hard, genuinely 'cost-able' commitments but we always sounded like spending would only go up under a Labour government.[24] We

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[22] All of this will be bolstered by attacks on Labour for being 'soft' on trade unions and illegal immigration.

[23] As Kinnock was not trusted by the public to keep a tight eye on spending, having changed his and Labour's stance across its policy platform, Smith was used a lot more. Starmer may have this problem too – especially as the Corbyn era is still fresh in the minds of many nervous floating voters – but polling suggests that this doesn't seem to be 'cutting through' so far.

[24] As a survey ('Income Tax increase backed by most Labour MPs') by Market Access demonstrated, the Conservatives suggested that many Labour MPs wanted to raise taxes regardless of what their

constantly, and understandably, criticised Conservative cuts, pointing out how people were suffering from tightening public spending and exposing gaps that needed filling, but that was why the aggressive 'Tax Bombshell' and 'Double Whammy' campaigns were able to hit home.[25] This is incredibly difficult for Labour.[26]

I hope that the lessons of the past, especially 1997, are understood – most notably, that being well-disciplined and prudent now allows Labour into power and, from that position, there can be substantial increases in spending if and when growth gets going, without having to increase most people's taxes to any great degree. If Labour does have to raise taxes – as we did with NICs to fund the NHS in 2002 – then Labour can do it in a way that is fair and popular.

In the run-up to the 1997 election, Labour went even further than this when it committed to the Conservatives' spending plans for the next two years, thus cutting out a key justification for the oft-repeated accusation that Labour would have to put up taxes. This was not as onerous as it sounds – as getting a lot of new money out of the door sensibly in the first two years of a brand-new government is hard at the best of times – but it was not without pain. I doubt that Labour needs something like this – or that it is what the 'floating' voter wants to hear – and the Conservatives' plans, announced in last year's Autumn Statement, look unrealistic, even for them, to stick to beyond the next election. However, something similar should be kept open as an option in the months ahead.[27]

Stepping back from tax, a lot of analysis of 1992 suggested that floating voters were less put off by the idea that Labour would put up taxes, than the notion that it would not use the money well or run the economy sensibly.[28] In other words, the perception of being economically competent was key. It is crucial for Labour to push hard on its 'image'

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leadership said. For more on this, see a note from the author to Kinnock and Smith (dated 31 January 1992) in Kinnock Papers (Ref: 6/1/42) at Churchill Archives Centre, Cambridge.

[25] Richard Hill, *The Labour Party and Economic Strategy, 1979-1997: the Long Road Back* (Palgrave, 2001), p.153.

[26] David Ward predicts that the Conservatives will follow this game plan again at the next election in 'Rishi Sunak's "Major Dilemma"' for the Mile End Institute Blog on 21 November 2022.

[27] See, Dan Corry, 'What can we learn from the first major statement of Labour's Economic Policy under Keir Starmer?', *Political Quarterly,* Vol 92/No.1 (January-March 2021), pp.113-118, available at https://onlinelibrary.wiley.com/doi/abs/10.1111/1467-923X.12963?af=R

[28] Floating voters were attracted by the Conservatives' assurances of tax cuts and not cutting or privatising public services, see John Curtice, 'Labour's slide to defeat', *The Guardian,* 13 April 1992.

around economic competence, although there will inevitably be debate about how best to secure that.[29]

[29] For instance, Labour could create institutions that buttress areas it is perceived to be weak on, such as an Office for Public Performance. See, the Fabian Commission's *Future Spending Choices* report – that I contributed to in 2013.