

Conservative Party Conference Speech

The Chancellor of the Exchequer, The Rt. Hon George Osborne MP, October 4th 2010

Conference, I come with good news and bad news.

The good news is that we are in government after 13 years of a disastrous Labour administration that brought our country to the brink of bankruptcy.

The bad news?

We are in government after 13 years of a disastrous Labour administration that brought our country to the brink of bankruptcy.

And once again we are going to have to clear up the mess.

In sixteen days time we will publish the conclusions of our country's spending review.

There is a heavy responsibility – a responsibility I feel keenly – to get this right in the national interest.

Today I want to explain to the British people: - why we have to sort out the public finances; - how we will do it; - and the prize at the end: a reinvigorated, prosperous, united Britain of which we can all be proud.

So, why do we have to sort out the public finances?

Quite simply – because we have to. Because any other road leads to ruin.

If we don't get a grip on government spending, there will be no growth.

The aspirations of many for a better life will remain just that – hopes betrayed and not ambitions fulfilled.

Labour's farewell letter, left on the desk in the Treasury by Chief Secretary Liam Byrne, said it all: "I'm afraid to tell you there's no money left".

One pound in every four that they spent — on everything from our pensions to our police to our schools – was borrowed.

How on earth did Britain end up in this situation?

Because Labour thought they had abolished boom and bust.

So they failed to fix the roof when the sun was shining.

And left this country defenceless when the storms came.

We've been here before: Labour do it every time they are in office: in 1931, in 1950, in 1967, and in 1976.

And now.

Every Labour Government runs out of money and brings this country to the brink of bankruptcy.

And when it comes to the next election, we will say to the British people: don't give the keys back to the people who crashed the car.

The legacy the Labour government left us was a grave one indeed.

Britain had one of the highest budget deficits in the world and no credible plan to reduce it.

This at the very moment when fears of high budget deficits had plunged the entire European continent into crisis.

For the first time in our history, the nation's credit rating was at risk.

And adding to this toxic mix, was the fear that the hung parliament would lead to a weak government.

I believe the decisions we together took in those spring days helped to pull our country back from the edge of the economic abyss.

It was you, David — with your characteristic knack of sensing the big moment and rising to it — who saw before any other person in Britain that the national interest demanded a strong and stable coalition government.

You showed what leadership is all about.

And it was Nick Clegg who had the courage to choose the right thing not the easy thing, and helped make it happen.

Within two weeks, working together, we secured for our nation a breathing space in the face of a European debt crisis by immediate reductions to this year's spending programmes.

Within one month we had brought honesty to the Treasury numbers by creating an independent Office for Budget Responsibility.

Within fifty days we had restored confidence at home and abroad in Britain's ability to pay its way in the world with a bold emergency Budget.

Now we are a fortnight away from completing a fundamental review of public spending that will put this country's finances on a sustainable path for years to come.

Join me in thanking our Treasury team – Mark Hoban, David Gauke, Justine Greening, James Sassoon, Greg Hands, Robert Goodwill – and the Chief Secretary Danny Alexander – for the work they have done and are still to do on our behalf.

For look at Ireland, and Greece, and Portugal, and you will see that the dangers have not passed.

Every day as Chancellor I see alerts telling me of risks around the world.

That we meet here, in Britain, in an atmosphere of relative calm not raging crisis is a measure of what we have achieved together over these first five months.

The world has confidence in the plans we have set out.

Vigilant at all times we remain — but there is no panic, no daily dread of the bond market, no paralysing fear that our credit rating could be lost, no immediate danger of a deathly spiral of higher interest rates.

Instead a clear-sighted, resolute vision of the course we must stick to through the continuing storm.

Our victory is the very absence of war.

Now together, we must win the peace.

Let us imagine if we listened to the advice of the new Leader of the Labour Party.

Imagine, if I were to stand up in the House of Commons in two weeks time and say: I'm cancelling the deficit plan.

I agree with Ed Miliband.

Let's delay the tough decisions.

Let's borrow more.

Let's go on adding to our debt.

Imagine if I said that.

Now imagine what would follow.

The market turmoil.

The flight of investors.

The dismay of business.

The loss of confidence.

The credit downgrade.

The sharp rise in real interest rates.

The extra debt interest.

The lost jobs. The cancelled investment. The businesses destroyed. The recovery halted.

The return of crippling economic instability.

Britain back on the brink.

We are not going to allow that to happen to our country again.

And let me take head on this completely false argument that delaying the cuts will somehow make them smaller and easier.

The truth is exactly the reverse.

Britain has a £109bn a year structural deficit.

Let me tell you what a structural deficit is.

It's the borrowing that doesn't go away as the economy grows, and we have £109bn of it.

It's like with a credit card.

The longer you leave it, the worse it gets.

You pay more interest.

You pay interest on the interest. You pay interest on the interest on the interest.

We are already paying £120m of interest every single day thanks to the last Labour government.

Millions of pounds every day that goes to the foreign governments we owe so they can build the schools and hospitals for their own citizens that we aren't able to afford for ours. How dare Labour call that protecting the poor?

Delay now means pay more later.

Everyone knows it's the most basic rule of debt.

So Labour's cuts wouldn't be smaller. They would be bigger and last longer.

In eight years time we would still be meeting here talking about what we would cut.

A decade lost to debt.

That's what's on offer from Labour and my generation won't stand for it.

There are two sides to this argument.

On one side there is the IMF, the OECD, the credit rating agencies, the bond markets, the European Commission, the Confederation of British Industry, the Institute of Directors, the British Chambers of Commerce, the Governor of the Bank of England, most of British

business, two of our great historic political parties, one of the Miliband brothers, Tony Blair, and the British people.

On the other side is Ed Miliband and the trade union leaders who put him where he is.

The national interest or the vested interests.

I know which side we're on.

We will stick to our plan.

Deal with the debts.

And get our economy moving again.

That is what we say to those who ask: why are you doing this?

The second question people ask is: how will we go about this spending review?

You know, our opponents say I've got an ideological plan.

That this whole exercise reflects a particular view of the state.

I have to tell you: they're right. I do have a particular view of the state.

I believe in public services.

That modern government exists not just to provide resolute security at home and abroad, but also to provide the best in education and healthcare, and support for the Big Society.

This is at the heart of my one nation conservatism.

And I believe in fairness.

That our country is stronger when there is opportunity for all, when effort is rewarded, help is given to those in need; that poverty scars us all and that the vulnerable deserve our protection.

I also believe that all this is only possible in an aspirational economy. An entrepreneurial economy.

... a capitalist economy.

Public Services Fairness.

Aspiration.

These values will run through everything we do.

But if we are going to succeed in living by these values, we need to understand some straightforward truths.

The first truth is that unless we reform our public services, they will decline.

We saw over the last ten years that more money without reform was a recipe for failure.

Less money without reform would be worse.

That is why we've embarked on major improvements to education, health and policing.

Changing the way these services work is no longer a luxury – it has become a necessity.

Across the public sector, we will squeeze every last penny we can find out of waste and bureaucracy.

Ministers have taken a salary cut, and the number of MPs will be reduced.

Every Department will cut its admin costs by over a third.

And as for the pointless quangos, the poorly negotiated PFI deals, the target chasing, the peace pods and the contemplation suites.

All that Labour nonsense will go.

But I have to tell you this: even if we manage to become the most efficient government in history, it won't be enough.

Because our public services were designed for the 1950s, controlled from the centre, delivered only by government, with no choice for the families who use them.

Unreformed, they simply cannot respond to the needs and expectations of today.

There are millions of hard working, talented and creative people who have dedicated their careers to our public services.

We must liberate them to be all that they can be.

That's the thinking behind Michael Gove's free schools programme.

It lies behind Theresa May's reforms to the police; and behind Andrew Lansley's reforms of the NHS.

Let me take on this argument about the NHS that I sometimes hear.

Some people say I was wrong to protect the budget of the NHS from spending cuts.

Others say protect the budget of the NHS just don't reform it.

But at a time of an ageing population and when the cost of medicine is rising, we know that without both reform and resources the health service will get worse.

And I didn't come into politics to see that happen.

David Cameron stood on a platform like this four years ago and said to the British people that his priorities could be summed up in three letters: NHS We will deliver on his promise.

And there is another public service we should pay tribute to.

A service built on sacrifice.

Our armed forces.

We have to sort out the mess that Labour made of the defence budget.

That means some very difficult decisions.

But I have been to Afghanistan.

I have seen the bravery of those men and women who fight for our country.

And I promise you this: Whatever we ask of them, we will give them the tools to finish the job.

So when we meet here together in a few years time, I want us to have reformed public services.

Services that can make the most of the money we give them.

And I want a vibrant economy so we can fund them as they deserve.

This is the purpose of the spending review.

Not cuts for their own sake. But savings to secure our future.

Which brings me to another home truth.

You cannot tackle Britain's debts without tackling the unreformed welfare system.

Without reform it is financially unaffordable and morally indefensible.

It traps millions in poverty and it deprives the country of the talent of a generation.

Welfare takes up a third of all government spending.

A great deal of it is money well spent.

A generous basic state pension is the least a civilized society should offer those who have worked hard and saved through their whole lives.

In thirteen years Labour failed to link the basic state pension to earnings. Let us take pride that one of the first acts of our coalition government has been to do that.

But other parts of the welfare system need urgent changes.

We now spend more on housing benefit alone than we do on the police.

I think the British people have a strong sense of what is fair.

The British people think that if someone is disabled, then they should get all the care and support that we can offer.

The British people believe that if someone is desperately looking for work, then they too should get our determined help – and our Work Programme does just that.

But if someone believes that living on benefits is a lifestyle choice, then we need to make them think again.

And we need to change completely the system that has allowed and encouraged them to make such a mistaken choice.

Iain Duncan Smith has done more than anyone in our Parliament to expose the deep unfairness that traps millions of our citizens in dependency, and makes millions of others pay for it.

We've been working together on the biggest reform of the welfare system since that great liberal William Beveridge.

And together we have achieved what no one in our jobs before us has ever achieved: agreement on a radically new welfare state.

A welfare state where it always pays to work.

Where effort is always rewarded.

And where fraud can no longer hide behind complexity.

But if this welfare state is going to gain the trust of the British people, it needs to reflect the British sense of fair play.

So I can announce today that for the first time we will introduce a limit on the total amount of benefits any one family can receive.

And the limit will be set according to this very simple principle: Unless they have disabilities to cope with, no family should get more from living on benefits than the average family gets from going out to work.

No more open ended chequebook.

A maximum limit on benefits for those out of work.

Set at the level that the average working family earns.

Money to families who need it – but not more money than families who go out to work.

That is what the British people mean by fair – and we will be the first Government in history to bring it about.

But fairness in benefits is only part of the story.

For here's another straight truth.

Cutting budget deficits can never be just an exercise in economics.

It's also about society and keeping the British people together as we go through this.

The public must know that the burden is being fairly shared.

That's why I said last year: we are all in this together.

And I am clear – and the British people are clear — that those with the most, need to pay more.

That is why – despite my instinctive dislike of high marginal tax rates – I have stuck with the 50p tax.

That is why I have raised capital gains tax for those on the higher rate.

And that's why I was the first G20 finance minister to introduce a permanent tax on banks – because it's fair that they help clear up the mess they did so much to create.

I want Britain to be the home of successful competitive and stable financial services.

I want to see genuine talent rewarded.

But let me make this clear today: we will not allow money to flow unimpeded out of those banks into huge bonuses, if that means money is not flowing out in credit to the small businesses who did nothing to cause this crash and suffered most in it.

Nor will we tolerate tax evasion.

It is unacceptable at the best times; it too is morally indefensible in times like these.

And this party will not stand for it.

So we will demand that the richest in our society bear their share of the burden.

And just as we ask the richest to pay their fair share, we must make sure we spend fairly too.

That means tough choices.

We still pay over a billion pounds a year in child benefit to higher rate taxpayers.

Believe me, I understand that most higher rate taxpayers are not the super-rich.

But a system that taxes working people at high rates only to give it back in child benefit is very difficult to justify at a time like this.

And it's very difficult to justify taxing people on low incomes to pay for the child benefit of those earning so much more than them.

These days we've really got to focus the resources where they are most needed.

We've got to be tough but fair.

That's why we will withdraw child benefit from households with a higher rate taxpayer.

When the debts left by Labour threaten our economy, when our welfare costs are out of control, this measure makes sense.

So, for the first time a cap on benefits.

No family on out of work benefits will get more than the average family gets by going out to work.

No longer paying £1bn of child benefit to households with a higher rate taxpayer.

A new welfare state where it always pays to work.

Tough but fair.

Because we are all in this together.

There's one more truth we need to confront today.

Britain has no divine right to be one of the richest countries in the world.

As economic power is shifting to the east, there is nothing automatic about our prosperity.

If our skill base continues to decline, there will be no growth.

If our infrastructure remains poor, there will be no growth.

If we don't support our businesses, there will be no growth.

If we don't improve our education, for everyone, our country will become - more unequal - more unfair - less prosperous So we will give priority to spending that supports growth in our economy.

That means investment in the transport schemes, the medical research and the communications networks that deliver the greatest economic benefit.

It means a Green Investment Bank and Carbon Capture and Storage so we reap the financial rewards of the green energy revolution.

It means introducing a pupil premium so that the poorest in our country have access to the kind of education currently only available to the richest.

It means finding new sources of income to support our universities and colleges.

We will do everything to make Britain one of the most competitive places in the world to do business.

Vince Cable and I will do this together.

I know that might surprise some of you.

People said we wouldn't get on, that we'd trade cruel nicknames, that we would knife each other in the back, that we'd try to end each others' careers .

Who do they think we are? Brothers?

Together, Vince and I have started to open Britain for business.

Labour's jobs tax abolished. Regulations scrapped.

Common sense brought to health and safety.

National Insurance cut for any new business in our regions.

Corporation tax cut next year, and the year after that, and the year after that – and the year after that.

Council tax frozen.

Income tax thresholds raised for millions.

And 800,000 people lifted out of tax altogether with more to come.

These are achievements this coalition government can be proud of.

But it's only the start.

For here in Birmingham, let us reaffirm our commitment to business and enterprise and aspiration; Here in Birmingham, the City of a thousand trades.

where Matthew Boulton and James Watt built the first industrial steam engine; where the greatest glass manufacturer of the age provided the four faces of Big Ben.

where Alexander Parkes invented plastic.

where the first public trial of a motor car took place in Cannon Hill Park.

Here in this City of innovation let us find the inspiration to turn today's Britain into an ideas factory for the world.

Innovative, ingenious and open for business.

For the hard economic choices we make are but a means to an end.

And that end is prosperity for all.

Not from the quick fix of another debt bubble; Or by hitching the country's entire fortunes again to the City of London.

Not growth confined to one corner of our country or one sector of our economy.

But lasting, sustainable growth that will only come from releasing the aspirations of the whole British people.

The foundations of a strong economy don't rest alone on the decisions of Chancellors or the spending programmes of government.

They come from the most basic human instincts of all.

The aspiration to have a better life, to get a better job, to give your children a better future.

The aspiration to work the extra hour, to play a bigger part in your community, to have a bigger say in your country and its future.

These aspirations are the most powerful forces in our nation.

And I want them put to work for a better future for us all.

We don't choose the times we live in.

Not for us, the easy years of plenty.

Not for us, the times of quiet management.

That's not the canvas upon which my generation has been asked to paint.

No you don't get to choose the times in which you live; but you do get to choose how you live in them.

Just over the horizon lies the Britain we are trying to build.

Let it be a hopeful country, because we governed with imagination Let it be a united country, because we governed with fairness Let it be a prosperous country, because we governed with courage Over the horizon is a Britain that pays its way in the world.

A Britain that is a beacon for liberty and justice.

There may be moments when we can't see it.

When it seems just out of reach.

But it is always there, calling us to our task.

The task of this generation.

The task of the British people.

Together in the national interest."