



25th. February 2011

Fabiola Blum
34 Linden Close
Cambridge CB4 3JU

Dear Fabiola (if I may?)

I must apologise for not responding sooner but I have only just read your letter to Councillors.

You make three points: firstly that the Environment and Climate Change Team will effectively be abolished; that biodiversity will be pushed down the agenda of priorities; and that your own post will disappear. You also suggest some alternatives to the budget cuts.

Let me respond to these matters. The budget cuts were forced upon us by Central Government reducing our Grant by £161 million over 5 years. I will go into their reasons later but the effect of the cut in the grant cannot be offset in any other way than by cutting posts and thus the level of services we provide. In some cases, whole services will disappear. These should be taken on by the Voluntary Sector for free or under some Service Level Agreement to provision at a lower level of funding. There is a risk that this will not happen.

Given the severity of the slashing of funds, the Council had to look at what it could do without. The Climate Change theme is one which is controversial and not accepted by everyone but we had to create a Team under instructions from the (Labour) Government. If I had to choose whether or not to have such a Team, then I would not have had one as I strongly believe that the global warming message has become tainted with dodgy data and has grafted-on a political agenda all of its own. I say this as someone with a degree in Geography and Economics. You will already know of case studies which show the overall climate of the Antarctic is becoming colder. The Climate Change lobby is also making a case against the everyday experience of the UK population where sub-zero temperatures now last for nearly a third of the year rather than a few days.

I am so very sorry that you are losing your job, and its clearly one you are very happy to do. In the Council debate, though I voted for the budget as a Conservative, I did second a motion to reduce Councillors' Allowances by 5% as an acknowledgement of the pain and destruction of livelihoods we were inflicting on 450 of our employees. I was one of the few Councillors (the only Councillor?) who entered into a discussion with the protestors on the steps of Shire Hall. The Council Chairman cut my speech short on the background to "the cuts" so here it is in print.

There are three causes of the financial crisis, the first is the Clinton Administration, the second is Gordon Brown and the third is Gordon Brown. Soon after Clinton became president, he drafted in a left-wing Democrat from California to regulate the Banking system. She forced the Banks to lend to "sub-prime" borrowers as a condition of being able to conduct any business at all. These people would never have been considered for mortgages as they were vulnerable to unemployment at the first whiff of a recession. The banks complied contradicting their tried and tested traditions. They had no choice either -

that or be prevented from operating. As long as the borrowers could pay, their mortgages were an asset which could be sold by the banks to others. Now, it had always been enshrined in law (the so called Glass-Steagall Act of 1933) that a lending institution could not on-sell its loans but had to keep them until the loans were paid off. Clinton repealed Glass-Steagall so the Banks could now divide up these mortgage loans as assets and sell them off in small(er) packages. Informed by what the US had done, Brown then allowed the Banks here to do the same thing.

The picture is one of a huge quantity of Bank assets 'secured' against mortgage borrowers who could default in an instant. Defaulting is not unusual and the Banks typically respond by selling the property and getting their money back. This works until the trickle of non-payers becomes an avalanche so big that there are no buyers and the value of these 'assets' collapses. Part of the way Banks work is to lend out their customers' money to others, without their knowledge, and charge a rate of interest. As long as customers don't know what's going on and feel certain that they can draw money from the bank at any time, they don't care. However, the banks must keep enough cash in reserve to meet these demands or face a 'run on the bank' if their customers get cold feet. 40 years ago, this cash reserve was 10%, then 8% and 4½% until Brown allowed the Banks to choose a 'prudent' reserve. Given that cash was being used less and less (payments by debit cards and cheques) this was the green light for banks to expand their lending to dizzying levels without any fear for the future. (You may ask whether we can now blame the Bankers for simply following incentives provided by the market and the complete relaxation of Government controls on their lending. In fact I don't, so I don't support the penal reasons for a Robin Hood Tax on Banks.) The practice spread throughout the world with Spain and Australia notable exceptions. In the UK, only Barclays and Lloyds was cautious but Brown dragged Lloyds into taking over a failed bank (HBOS) so driving Lloyds itself into failure. Most of the Banks' loans were on property and left them with almost no spare cash. Once the downturn commenced and borrowers couldn't pay back the loans, the assets of the banks suddenly shrank in value and they had no spare cash either for their customers. We saw queues at the Building Societies as folk raced to get their money back. The Government had to step in to guarantee customers' confidence and only then did the queues go away. That is why the taxpayer owns so much of the UK banking system. It also meant a huge increase in Government borrowing. Brown also oversaw an explosion of Private Finance Initiative where public works projects are privately funded but whose repayments fall on the taxpayer - many hospitals and schools were built or extended in this way. But PFI still doesn't show as Government Debt though it certainly is. It was used to conceal the real size of Government spending.

When interest on Governments' accumulated borrowing is 10% of tax revenue, it can be managed. When it gets to 20% we are spending more on debt interest than on educating our children. This is one reason why we have to cut back on Government spending or increase taxes dramatically to pay the interest. The debt needs to be paid back though it will never be wholly paid off.

Now we move to Gordon Brown. He established the Monetary Policy Committee in 1997 'to advise on interest rate policy'. With half its members appointed by himself and the rest on the advice of the Prime Minister, this is simply not an independent body. In my view the MPC is a fall-guy to take the heat of the Chancellor. Interest rate policy is rightly the job of the Chancellor and it should not be out-sourced in any way. As Chancellor, Brown had a declared policy of 'neutral borrowing over the economic cycle' but this ceased to be the case and he borrowed even in boom times to extend Government spending ever higher. "We have cured boom and bust", he claimed. Note that every bit of extra borrowing means more tax revenue in interest charges. To raise even more revenue he raided Pension Funds' profits to the tune of £5,000 million a year, even though he was strongly advised not to. My own Endowment Mortgage will now be £12,000 short at the end of 25 years due to Brown. That's a hidden tax.

Some of us could see all this happening and I'm sure some Labour MPs could too. But they didn't do enough about it. So who is responsible for this massive Government debt? I blame the Labour Party for its negligence. They fiddled while Brown burned. Now a new Government has to make the cuts.

Whoever had won the General Election in 2010 would have had to same problems and adopted the same approach. The difference maybe that Labour would have spread the cuts over a longer period and not burdened Local Government with such savage cuts in income. In Cambridgeshire we elected to take the Government's offer of 2.5% increase in Grant in return for not raising Council Tax for the next 5 years. Had we not done this, Council Tax would have to rise to overcome the 2.5% penalty and then more on top. There are some very poor people in the County, especially in Fenland to whom Council Tax is a big-ticket item and I do not want to burden them more. Cambridgeshire is the fastest-growing County in England but we have an increasing number of elderly to look after and substantial in-migration. None of this has moved the Government to give us special help. You may have heard of the Barnett Formula which effectively re-distributes our money to other Authorities (in the North, in Scotland, in Wales and the East End of London). All of these are heavily represented by Labour MPs. My view is that this drains our wealth, preventing needed investment in Transport (for example) whilst giving no incentive for recipients to change their lifestyles or to move.

As one taxi driver said, "If I'm injured, I don't blame the nurse who comes to make me better". The blame for these cuts is straightforwardly on Gordon Brown first and the Labour Government second. The point has to be made.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Lister Wilson'.

Lister Wilson
Councillor for the Bourn Division
Cambridgeshire County Council