

Fighting inflation without a big downturn

The Fed, the ECB and the Bank of England all made the same mistake last year. They carried on printing more money and buying up bonds to keep interest rates around zero for too long. They were right to offer a big stimulus in 2020 to offset the covid inspired downturn, but misjudged the recovery and helped fuel the inflation. They ignored those of us who warned against excessive laxity. They stuck to silly unrealistic forecasts of inflation for this year of around 2% when it was obvious it would rise considerably higher, especially in the USA where the stimulus was largest.

The Bank of England saw sense soonest, stopped money printing at the end of last year and has started to raise rates. The Fed carried on printing until March this year and has only just started to hike and unbelievably the European central bank is planning to print Euro 90 billion more in the second quarter of this year and is putting off tightening to be reviewed again in the third quarter. Spanish inflation is already at an alarming 9.8% and Eurozone inflation generally is over 7%. How much higher do they want it to go?

The UK has to be careful, as it is not only tightening money policy but also increasing taxation at the same time. The danger is this double hit to an economy which has been recovering well from covid lockdowns will prove too severe, slowing the economy too much. The Bank's tightening means dearer mortgages and credit, squeezing many consumers further as the high energy prices kick in like a big tax rise. That makes the NI rise and the tax increase on energy that comes with higher energy prices an inappropriate added threat to ,jobs and output.

The UK needed a bit of tightening to curb price rises. It does not need to lead world austerity just as the cost of living crisis hits. The government also needs to do more to assist and stimulate more domestic production of everything from fertilisers to gas and from food to microprocessors. To the extent that the inflation stems from a series of supply side shocks, boosting supply can start to right the position.

I want some more please

The government needs a touch of the Oliver Twist in its approach to UK food production. Freed of the Common Agriculture policy which left us short of permits to produce milk, paid grants to rip out our orchards and used rules to slim our beef herds we expected a policy that promoted more UK produced food. We need to recapture the lost market share of the CAP years.

Instead so far the government has used its freedoms to pay farmers to leave farming, paid farmers to wild their land and stop growing crops, and paid them money for a range of environmental goods that impede or prevent food growing. What we now need is recognition that imported food can be hard to come by when the world experiences shocks like the Ukraine invasion and the gas shortages. There is a good green argument to cut the food miles. It is easier to be assured of the safety of our food and of the humane treatment of animals and birds reared for the table if the work is done at home under UK regulations.

Agriculture in most parts of the world is heavily subsidised and regulated by governments. Most countries use their powers and money to promote more domestic production, not to stop people farming. We need to catch up. The UK needs to restore full fertiliser production, hit by high gas prices. It needs to work with supermarkets to ensure sensible prices are offered farmers to grow the grains, rear the animals and produce the milk and eggs people will want, seeing that farmers costs for these items have risen rapidly in recent weeks.

Farmers need grants to help buy the more automated systems to plant and harvest a wide range of crops, and to assist in putting in the extra greenhouse and polytunnel capacity needed to extend our growing season. It is bizarre that we import so many flowers, salad stuffs and vegetables from countries like the Netherlands that have no better weather than us but have better systems of investment encouragement and support.

[Find energy grants and ways to save energy in your home](#)

The below information on how to make your home more energy efficient has been made available on Gov.uk which I have enclosed below:

Find out how to make your home more energy efficient and reduce your bills.

The Simple Energy Advice website has [advice on ways to save energy](#), such as:

- insulating your loft and cavity walls
- draught-proofing windows and doors
- upgrading your boiler
- installing double glazing
- using alternative sources of energy, such as solar power

You can also find out if you're eligible for a [home energy grant](#) to help pay for things like loft and cavity wall insulation.

Use the [Energy Efficiency Calculator](#) for personalised advice on what you can

do to cut your energy bills.

The cost of living and energy prices

Some have queried why Ministers have not been sharing tips to keep the energy bills down. I think they are wise not to. Someone on a six figure salary who can afford the price rise is not well placed to lecture others on how they might use less energy. There are plenty of experts who can help people see if they can manage their bills down a bit without going cold.

These experts and the industry backing energy efficiency measures can help all of us see if we can insulate our homes and improve our use pattern of energy to save energy or to save money on the bills. Anyone thinking of a heat pump will be told they first need to insulate their homes to high standards to get any such installation to work. Such high standards will cut the bills for a traditional gas boiler quite a lot.

More insulation comes at a cost. There are government schemes to help those on lower incomes with the initial cost. The pay back from tank and loft insulation can be quite fast. Improving or changing windows and walls is much dearer and more intrusive though it may make sense in the context of wider home improvements someone with a bit to spend can afford to undertake.

An energy strategy

There are some good developments as the government seeks to change energy policy. There is rightly much more attention to security of supply, and to the need to develop our own energy sources to eliminate reliance on imports. There is an understanding that for the next few years most UK people will have petrol or diesel cars and vans, and will heat their homes with gas or oil or solid fuel boilers. For the period of transition prior to many more people heating and travelling with electricity there needs to be a reliable supply of oil and gas at affordable prices. The strategy accepts that we need to use more of our own oil and gas from the North Sea. There is a review of onshore gas. The best answer to the issues that poses is to adopt a model which allows any community or landowner to say No to drilling, but to allow communities willing to see such developments a share of the turnover or profits or offer them free or discounted energy.

For the longer term the government favours a major commitment to nuclear. There has been a long history this century of PMs wanting more nuclear only

to find it is watered down and delayed by a range of forces against. The best hope the government has of changing this is probably to back the development here of a suitable small modular reactor that can be produced at scale mainly in factories and assembled on site with suitable substantial concrete workings for containment. The UK could become an exporter of such technology to extend the production runs and lower average unit costs. There are sites around the country where larger nuclear stations are closing who might welcome a new replacement and would have some of the skilled people necessary to run it.

The government still favours more wind farms. It does now accept that these will not satisfy our demands for power on calm days or on days when the wind blows too strongly. It is therefore investigating ways of storing the power on windy days and nights to use on days of high demand and little wind. This is going to be necessary to keep the lights on. It also needs to account properly for the cost of the windfarms themselves and for any backup or storage needed to make them reliable for consumers.

Meanwhile the next few years whilst people still need plenty of fossil fuels for home heating and transport and industry remains fuelled by gas we are going to need more gas as a stop gap. The government needs to work closely with industry and grant the necessary permits in good time to help this endeavour.