

Big deficit – too much spending

The first month of a Labour government saw borrowing rise on the same month the last year, and come in higher than experts were predicting. The cause was higher spending, as revenues were strong. A substantial part was higher benefit bills agreed by the outgoing government as well as by the new one, but some was first increased spending by the new Ministers. There will be a lot of extra spending to come as they make inflation busting pay offers above the old plans, as they expand the green subsidies, as they allow in more migrants on low or no incomes, make more state investments in nationalisation and as they expand the public sector without productivity plans.

The figures were flattered by the drop in inflation which cut the so called debt interest figure as it includes the non cash payment of indexation increases in Index linked UK state debt. The Bank of England also celebrated the arrival of a Labour government by sending them a lower monthly bill for their losses. Lets hope they make a habit of that. This disguised a bit the spending problem Labour is creating for itself.

The UK cannot afford the £20-30 bn of lost public sector productivity since 2019. The past government was slow to tackle it though it wanted to. The new one seems to have given up. The UK cannot afford the high Bank of England losses, but neither the last nor the present one seem prepared to tell the Bank to adopt ECB or US policy towards their bond portfolio which would cut the losses substantially or entirely.

If the government is serious about wanting economic growth it has to wean itself off ever higher public sector spending and losses by state owned organisations. It needs productivity enhancing pay deals on the railways and in the NHS. It needs a more moderate and mainstream approach to Bank of England bond adventures. It needs to reappraise its aims with green activities, as it is trying to do too much and will end up losing large sums of taxpayers money in a muddle over going for hydrogen, hydro, nuclear, carbon capture, battery, wind and solar all at the same time. These policies can be in ways which impede successful adoption by the public so incurring large taxpayer losses. They have not thought through how they replace fuel duty if they succeed in banning new petrol and diesel cars or how they replace the high taxes on home produced oil and gas as they shut it down.