

Time to ease the cost of living squeeze

One of the official and Bank of England forecasts that might prove to be right is that people face a cost of living squeeze, predicted to be at its worst in April next year. People will face home heating cost rises, a National Insurance tax hike and Council tax rises. General inflation is likely to reach its peak before subsiding around the same time. Supply shortages around the world including microprocessors, shipping containers and various manufactured goods add to the price pressures.

The government should take some action to ease the squeeze. On energy I have set out at some length how the U.K. could produce more of its own gas and electricity to start to reduce its dependence on dear and volatile imports and improve the contract costs of its longer term energy mix. On tax I still call for the NI increase to be scrapped. In a wide range of areas where supplies are short at home and abroad we need to be looking to put in more UK capacity to cut our import dependence. The higher spending Councils need to review their budgets to concentrate the spending on the essential services and to limit tax rises.

In some cases people will enjoy wages rises above inflation where there is a shortage of their skill. It is highly likely truck drivers, chefs, hotel staff and other constrained areas will see decent real wage growth. Many other people will be asked to accept wage rises that do not keep pace with the cost of living when tax and price rises are taken into account.

The UK market feels short of a wide range of services, There are good business opportunities for those willing and able to train to work in hospitality, leisure, care, building and a wide range of other areas. There is plenty of scope for people to set up their own businesses and to get orders from a public struggling to find the help they wish to buy in.

The UK government should do more to encourage self employment and the establishment of small business. Instead of taxing it too much and in too complex a way it needs to be easier to set up and get started, as we need the extra capacity. Many of the price rise are owing to shortages, so we do need more supply to solve the problems. The official machine is too ready to rely on imports.

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The Bank of England

I think the Bank was right not to raise interest rates this week pending more knowledge of the Labour market and wage rises now the furlough scheme has ended. I am against raising rates all the time the Bank is creating more money to buy bonds to keep rates down. It would be a contradictory policy.

I have called for an end to more money creation. The Bank has created quite enough. Savings are high, so many people could afford to spend more if they wish. Bank liquidity and capital is strong, so banks could lend more if people wanted to borrow more. There is no need to create more money. If people and companies did decide to spend much more of their cash and borrow more to increase their spending inflation would pick up more. No need to stoke the money fires further.

The task of money management is not easy. There is a slowdown underway which will be intensified by the squeeze on real incomes next spring from delayed energy price rises and the tax increase. There is also a steep and predictable rise in inflation which the Bank did not see coming earlier this year but is now forecasting .

I would stop the money increases and watch the Labour market. Only if there is clear evidence of wage settlements generally taking off to embed the temporary price rises will we need higher rates. So far the wage rises are a feature just of a limited number of activities in shortage.

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The government is squeezing incomes too much in the year ahead. It should cancel the National Insurance rise planned for April.

Plastic in the oceans

During a question and answer session at a local school environmental issues dominated the exchanges about public policy as usual.

The two most important environmental questions they raised were plastic in the oceans and the need for more trees. I agreed with them about the importance of these matters.

Plastic in the oceans raise difficult questions both about responsibility and about who can remedy the problem.

I argued that the main blame must rest on all those people who threw the plastic away in an irresponsible manner in the first place. In the U.K. we combat this with laws against litter by adults, and with strong social pressures on parents and teachers to tell children not to litter. Some other countries need to educate people against littering. The U.K. also spends taxpayer money on clearing up the litter where people do offend. Verges, streets and public places are regularly swept clean and the debris taken care of. More taxpayers money is spent on refuse collection, recycling and safe disposal so our plastic waste should not end up in rivers or the sea, even where it has been discarded wrongly.

In some other countries there is less pressure on people to avoid littering and a less good back up system to intercept litter before it finds its way via a river into the oceans. There are also bad boat crews who litter the oceans directly. This is especially difficult to police.

I explained that the U.K. and other rich countries use overseas aid to promote programmes for better refuse handling and for cleansing waterways. We cannot require other countries to do this. We have to persuade and encourage.

I set out how the U.K. government is promoting more woodlands, with local and National examples of tree planting. I also pointed out that if we continue to need more homes for more people there will be some counter examples where woods are removed to build on the land.