

## Labour's silence on Venezuela

The sound of silence can be deafening. The Labour leadership has gone quiet when it comes to praising the Chavistas of Venezuela, who they used to tell us had got it right. The Chavez model of giving more and more to the poor was popular and worked for a bit, until the state ran out of money to give. Under Mr Maduro they have resorted to the printing presses to increase benefits, with the result that they have triggered a massive inflation and a collapse of the currency. Venezuela is very dependent on imports for food, medicines and other essentials. It now suffers chronic shortages of basic goods owing to the shortage of hard currency to buy what is needed. It is often the poor who suffer most from the shortages, as they cannot afford the very high black market prices that are the alternative.

Venezuela was once a rich country, and should be so again given its huge oil reserves. Mr Chavez purged the state oil company of skilled managers and executives, replacing them with his supporters. He took large sums out of the state oil company revenues for social purposes, leaving the business starved of cash and talent to maintain and develop the assets. When the lower oil price hit the company was already struggling. Venezuela was 95% dependent on oil for its export revenues, leaving it badly stretched when oil output and the value of the turnover fell.

Like many such regimes the Venezuelan government blames everyone but itself for its plight. It blames the USA, who under President Obama imposed sanctions on the country and saw it as a threat to US policy. It blames the Opposition, who have at times pursued their cause with violence though they would say it is the regime's friends amongst the security forces and colectivos who drag them into fights. It blames the rich for pre-empting too much of the economic activity, whilst often seeking to enrich its own supporters. It blames private sector companies, alleging they hoard goods to create scarcity and higher prices.

The government thinks the answer is political. They see the way forward as the elimination of opposition. They have arrested two of the Opposition leaders. They are seeking ways to shut down or undermine the Opposition led National Assembly. They have elected a Constituent Assembly against the wishes of the Opposition to draw up changes to the constitution, which many suspect will be used as a means of delaying the next Presidential and other elections, and will be looking for ways to eclipse the opposition.

None of this will change the fundamental problems of too much created money chasing too few goods, and the lack of international confidence in the domestic Venezuelan currency. Venezuela's economic model is badly broken. They have demonstrated for all the world to see that printing too much money causes hyperinflation. Taxing and controlling the rich and the private sector too much stifles investment and drives it away from the country. Preferring unaccountable and absolute power over democratic and accountable power leads to violence, a bitterly divided society, and a rolling political crisis.

Does Labour still think this is the good alternative model we should be following?

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## Overseas firms back City by signing for new offices

Deutsche bank have confirmed they are taking a 25 year lease on at least 469.000 square feet of the new 21 Moorfields building in the City. They were one of the banks saying they were very negative about Brexit.

Ion Pacific, a Honk Kong financial group, have just chosen London as the place for their European headquarters.

Have the gloomy pundits of Remain any explanations for this good news?

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## Rising energy costs

Centrica have rounded off the season for the Big six energy companies to increase prices with a substantial inflation busting rise of its own. This is bad news for consumers, and will sustain a higher inflation rate than is welcome for a bit longer following the impact of higher oil prices on our inflation earlier this year.

There is general agreement amongst political parties that these increases are undesirable. There is also some measure of agreement that the companies need to be made to try harder to keep the costs under control, with continuing discussion of regulatory action to sharpen competition or to broaden the scope of price controls or caps.

What is less discussed by the politicians is the impact of their own policies and actions on domestic energy bills. The main rises this year have come on the electricity part of dual fuel bills. According to Ofgem 14.9% of the typical electricity bill is now to pay for environmental and social costs imposed by the EU and UK government. There is the renewables obligation, the energy Green deal, EU targets, the carbon floor, the Warm homes scheme, feed in tariffs and smart meter promotion costs, adding up to a substantial sum. As more and more of our power is generated from renewables with the necessary back up we should also expect wholesale electricity prices to rise.

The government has passed the issue over to the Regulator, pointing out that they have powers to control prices or stimulate competition. The Regulator

has rightly warned that introducing a general price cap might lead to a reduction in investment at a time when we need to expand our potential electricity capacity. Threats of price caps tend to encourage companies to raise their prices as much as possible in advance of the imposition of one, and have led to sharp increases in prices in some countries that have tried them when they have been removed.

The new team at the Energy and climate change department need to think through with the electricity industry our needs and the impact of both government and company policies on prices. As readers of this site will know I want to see more and cheaper energy, both for domestic consumers and for industry. The most important thing the government could do for an Industrial strategy would be to pursue a policy of cheaper energy that requires rethinking much of the present complex energy policy, which contains so many interventions, some now seeking to offset other interventions.

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## [Brexit policy and how to negotiate](#)

I am glad the PM has made clear we will end freedom of movement and have our own migration policy on exit, as I reminded people here on this blog last week. She has also clarified the issue of a transitional Agreement. The UK has not asked for one. We still have 19 months left to negotiate a proper Agreement. Negotiating a transitional one would require prior consent to a full Agreement, then allowing discussion of how to transition from the one to the other. It is not intrinsically easier to negotiate a Transitional Agreement than a permanent Agreement, and requires consent to where the two parties are going during transition.

There are those in the Opposition, the media and business who seem to want to turn the EU/UK talks into a negotiation amongst ourselves about what we are trying to achieve. This is damaging to the UK's official negotiating strategy, as it leads some in the EU to think that if they delay and prod the UK will change its mind and offer to carry on with budget contributions, freedom of movement and the other items that so favour the rest of the EU. MPs and others in senior positions in the Labour party keep changing their minds about membership of the single market and customs union, long after Parliament has voted decisively both to send the Article 50 letter and to exit both the single market and Customs Union.

Let's have another go at reminding people what the UK has already decided. The people voted to leave the EU. They did so with both official campaigns pointing out this meant leaving the single market and customs Union. They voted leave to take back control, especially of our money, our laws and our borders.

Remain supporters then forced legislation and Parliamentary votes to test out the will of the people. Parliament voted overwhelmingly to leave the EU. The

Commons since the election has voted to leave the single market and customs union as part of that, as was always implied in the previous Parliamentary votes.

Some Remain supporters now want to invent a Transitional Agreement, requiring the UK to go on paying budget contributions, accepting freedom of movement, and continuing to accept new EU laws. This is not government policy, and is clearly against the wishes of the people as expressed in the Referendum.

When asked why they want this, they usually argue that the other EU member states will damage their trade with us and our trade with them if we do not accept continuing features of EU membership. It is a cruel irony that the most pro EU are the most negative about the nature and likely actions of our EU partners. They are also going to be proved wrong on this as on so much else about Brexit. WTO rules work fine, if the rest of the EU really does want to damage its valuable exports of agricultural produce and cars. Their more voluminous exports will attract far more tariff than our sales to them. Under WTO rules and international law the EU cannot stop companies and individuals in its territory buying and selling things with the UK.

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## The figures for HS2

I voted against HS2 and lost heavily. Parliament has decided it wants this project, and the government is now pressing ahead. It needs, however, to be aware of the need to control costs vigorously and to think again about how to raise revenue from the line when built.

The forecasts rests heavily on the assumption of dramatic demand growth for London to Birmingham travel in the years ahead. When the new line is available they will have train paths for 18 trains an hour carrying up to 1000 people on each. Their estimates think that by 2037 there will be an additional 290,000 extra trips.

HS1 forecasts were similarly elevated when the decision was made to build it, but the outturn was well below forecast. The consultants expected 20-28 million passengers by 2010. The actual was only 9.5m. As a result HS1 fell miles short of the use and revenue they were expecting.

HS2 forecasts assume that they will charge the same fares as the competitor lines that remain in place, and that the fares charged will be higher in real terms than today. It is difficult to see why this should be the case. With such a huge increase in capacity becoming available it is likely the existing train operators will have to cut their ticket prices to try to hold on to business. This will mean lower revenues than expected on HS2. If the government and Regulator step in to keep the fares up it will be difficult to attract extra passengers needed to try to fill some of the large increase in capacity.

HS1 was hit by aggressive fare competition from the established ferry companies. HS2 assumes easy pickings from air and road competition. Maybe these will not materialise as planned. The operators could cut their prices.

However you look at it, this project can only limit the losses it will incur for the taxpayer if there is very strong cost discipline, and realism about how many trains can be run on these new lines. It would be good to hear more from the operators about why they think there will be such a surge in Birmingham/London train travel and how they will promote this.