

The forces of the establishment

Many write into this blog to complain of policies they think have been foisted on them and the UK by virtue of international treaties, agreements, the views of global institutions and of a governing class of quango heads, senior officials, celebrities, big business and many politicians. The conspiracy theorists wish to attribute these views and policies to a handful of people they think are unduly influential. In practice it is much more complex than that. The truth is many of these bodies, governments and officials do think the same and do wish to impose a similar agenda on the countries or in the sectors they control. There has been a movement to world and to regional or bloc based government. The long campaign to get the UK to join the ill fated Exchange Rate Mechanism was part of this development. It led to boom, bust and the end of the government in the UK. It should warn us about accepting such future strong advice from these international sources.

It means that health policy looks to the World Health Organisation for responses to major public health challenges. Economic policy in recent years has been driven in the USA, UK, EU and Japan by the same mistaken belief that a Central bank can keep interest rates near zero and keep creating extra money without it being inflationary. Pandemic policy was driven by a common view that lockdowns were essential until vaccinations were widespread. Energy and environmental policy has been dominated by a general drive to net zero, leading to too much reliance on unreliable wind and solar electricity and to a shortage of gas. Erratic US policy towards military intervention especially in Afghanistan has accelerated a move to a two bloc world in geopolitics, with a US led group including NATO competing with a Chinese led group.

It is still possible to challenge these views and to follow alternative policies. That is easier in democracies than autocracies, though we have just seen a major change of policy towards covid in China following popular protest against lockdowns. In the USA Republican states take a very different approach to net zero than Democrat ones. Republican states drill for more oil and gas, back the diesel and petrol vehicle industry, and see private vehicles as an important part of personal freedom, whilst Democrat states seek to move swiftly away from fossil fuels in every way possible. Sweden took a different line on covid restrictions than most other European countries. The Central Banks of China and Switzerland did not follow the other leading Central Banks with excessive Quantitative easing and high inflation. Some western countries follow a policy of neutrality rather than being part of the US led NATO framework.

Liz Truss's problems resulted from an establishment that did not want her to change economic policy. They do not like tax cuts, denying that they can raise more money, and producing pessimistic assessments of their impact on growth. They claim to want to run the economy based around a falling deficit, yet the measures they recommend are about to boost the deficit which rises if you enter recession. Their policies will ensure recession. They resist proposals to improve and alter our regulatory frameworks for business now we are out of the EU, as they favour continued EU harmonisation. I will look at

the tussle over economic policy at the heart of the brief Truss period in office in a later blog.

The predictable rise and the unexpected fall of Liz Truss

I always thought Liz Truss would win the leadership election contest. Her stance that the economic establishment was letting us down, that we needed a new pro growth policy was both right and popular. We were living through an inflationary surge created by Bank and Treasury mistakes over interest rates and money printing, and faced shortages thanks to policies which throttled UK output of energy, food and other essentials facing international shortages. So it proved, with a relatively easy victory from the membership. Rishi got more MP votes than Liz on the penultimate ballot, but come the final Liz even had the support of a majority of the MPs.

When I offered Liz economic advice in preparation for being PM I proposed a three part budget, containing tax cuts, spending reductions and supply side measures including transport and energy capacity and amended business regulation to speed growth.

She and her chosen Chancellor made no secret of their disagreement with Treasury and Bank officials. They just replaced the one, the Permanent Secretary to the Treasury, though it seemed they ended up with a replacement likely to stick with the old austerity theory.

When the budget appeared it failed to spell out the spending and borrowing plans. It added to an affordable £45 bn tax cut package a large £80 billion spending package on energy support taking the total stimulus higher than the one I thought affordable. The tax cuts would likely have produced more revenue than official forecasting given the way faster growth always surprises the official forecasters by the rate of increase in revenues. The supply side measures were feeble reflecting a general lack of interest in Whitehall in developing them.

The Bank announced higher interest rates and bond sales to depress the market the day before the budget package. Clearly the daily conversations between Chancellor and Governor did not cover the crucial question of handling market responses, or it did and reflected the disagreement between them about the go for growth approach.

It is not unusual to have some friction between official advice and Ministerial decisions. What is unusual is to see a PM give in at the first challenge to a cherished policy. Because gilts fell, only to recover as soon as the Bank said it wanted long rates lower and prices higher, the PM was persuaded first to cancel one small tax cut the Opposition did not like, then

to replace her Chancellor. That turned out to be to dump practically all the tax cuts but not the more expensive energy subsidies.

The Establishment said the UK had to return to austerity and had to put up taxes to make it considerably less competitive. What is amazing is the PM agreed to all this. As her departing Chancellor warned her, that would mean her end as PM. So it proved. We need to ask why and how this happened. It also has meant as some of us warned higher prospective borrowing, as the recession it brings will depress revenues.

Happy New Year

“Pour me another, let's toast the new year
Here's to a better, put fizz in our cheer”

Tonight's not for sorrows, nor mulling old wounds
Come banish our troubles, let's sing some new tunes

Caught in the present is a moment to choose
To look forwards or backwards, to win or to lose

If your comfort is clinging to all that has past
This precious moment of hope will never last

Grasping the future and its unknown way
Can bring success and many a wonderful day

The past is well trodden, we know the ending
The future is for moulding, shaping, bending

As last year expires, hopes and promises broken
Change things this time, leave pledges unspoken

So pour me another, drink to the new year

here's to a better, put fizz in our cheer

If your life is a drama you can change the plot
If your friends are the actors you can recast the lot

If people around you are holding you back
Tell them you're changing, to a new track

Let's hold on to clichés that drive us to more
Let's venture out from behind that closed door

We can stretch for the stars and strive for the sun
We can soar with the wind making life more fun

You are only out of the game when you give up the play
So write some new words so you have a new say

Aim for something better, embrace the best
You may fall short of target but gain from the quest

So cast off the old. Live a new dream
Grab the future foretold. Mine a new seam

So pour me another, lets toast the new year
Here's to a better, put fizz in our cheer

Trust that tomorrow can be better than today
Let the future empower us with its new way

Lets cast off from austerity, from all those extra taxes

Lets go for growth as austerity relaxes

Lets make our own minds up and set our own pace

The future is only ours, my friend, if it we embrace
Tonight is the night to reach for the new

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Chinese visitors

The government was said to be against imposing any tests or controls on Chinese visitors planning to fly to the UK.

Yesterday evening a journalist released a story that the government is changing its mind and does think Chinese travellers should show a recent test

result proving they did not have covid.

I do not wish to see the UK introduce tests or other features of lockdowns again here in the UK. I do think with China there is a case to say travellers wishing to come to the UK should show a recent negative test result from a recent test to a standard the UK approves before boarding the plane in China. With millions of Chinese now said to have the virus when the NHS is not wanting more patients there would be a symmetry in such a demand after the long period of restrictions against travellers to China.

What do you think the UK should do?

[New Year message for 2023](#)

2023 could promise much. It will be the year when inflation falls from the unacceptable peaks of 2022. It should be the year when we put lockdowns and special inconveniences from covid behind us. It should be a year when western resolve deters new aggressive actions by Russia, China, North Korea and Iran. It could be a year of economic recovery. It should be a year to show freedom works, offering hope to the world.

It is true that tomorrow though it is a new year we will still inherit the pains and problems of the old. Russia will continue to shell and bomb Ukraine, though should recoil from her dangerous threats with nuclear weapons. China will incur a cost in cases and deaths as she embarks on the last big move away from covid lockdown. The economies of the UK, USA and EU will experience more months of slowdown, recession and cost of living squeeze as their Central Banks seek to correct their gross inflationary errors by inflicting economic pain.

That is why as we want this year to be so much better than last we must look to governing establishments to change what they are doing to give us a better outcome. In the UK that means three things. A pro growth budget that makes it more worthwhile to work and to run a business, with tax cuts and benefit changes. A belated reform of business rules and laws, to facilitate more UK business and individual opportunity and success. This should include tackling the supply of illegal labour and illegal migration which undercuts legal businesses. A major private sector led investment in growing more food at home, landing more of our own fish, producing more of our own energy and producing more of our manufactured products.

If we do these things we can emerge with a stronger growing economy by end 2023. More people can succeed in their personal journeys, getting more skills, better paid jobs and owning their own homes. True levelling up is about helping create a nation of owners where owning your home, having a stake in the business you work for and having savings for the future is the experience of the many and the credible aspiration of many more.

The Opposition parties' menu of higher taxes, deploying the politics of envy, attacking profitable businesses and seeking to level down the successful would .keep us in recession, intensifying the cost of living squeeze. If we carry on with price controls we will create more shortages. If we back windfall taxes we will deter the investment in extra capacity we need.

The Prime Minister and Chancellor have choices. If you want a better 2023, if you want the troubles of 2022 to recede, then join me in calling for growth policies. Let us give freedom more of a chance. The UK backs brave Ukrainians fighting for it . We need to insist on it at home and abroad by voice and vote.