

What is a possible end to the Ukraine tragedy?

The valiant resistance of Ukraine to the invading Russian army means Putin cannot have his way. It looks as if he expected little Ukrainian resistance, a drive into Kiev for his tanks and troops, followed by the rapid departure of Ukraine's elected President. Putin probably thought he could then have settled terms with the Ukrainians over their future government. He probably wanted them to rule out any future NATO membership and to recognise Russian leadership and trade patterns as some kind of friendly satellite. He may well have assumed he would rapidly consolidate a land bridge from Crimea to the eastern rebel provinces of Donetsk and Luhansk and may have wanted to create a split Ukraine with some under direct Russian rule. Instead six days on he has made far less progress militarily and is being forced into using far more force for far less effect than planned.

Putin is currently exploring a negotiated peace at the same time as pressing his ugly invasion. Maybe the talks are cynical. Maybe they are an attempt to find a less embarrassing and less damaging way out from the violent mess he has created. How should Ukraine respond, given the unprovoked aggression from Russia, the lack of any climb down so far by Putin, but also the wish to avoid more violence if that is possible?

Putin probably expects still to get more control of Ukrainian territory by military means. He has vast firepower compared to the defenders. He should however weigh the shortage of Russian troops to seize and occupy a country and population as large as Ukraine's, now that most people there are hostile to him and willing to fight for freedom. He needs to remember that wholesale destruction of cities and mass deaths of civilians will be seen by the West as war crimes, confirming his and Russia's pariah status. What would be the point of prosecuting the war with widespread death and damage, creating lasting hostility from those Ukrainians who survived and making it impossible for Russia to govern it in any acceptable modern way without the use of permanent large scale intrusive force?

The Chancellor's lecture

The Chancellor's latest Mais lecture told us he believes in a free enterprise economy and lower taxes. I have no problems with that. It began with a quote from Adam Smith and praise for a competitive free enterprise approach to delivering goods and services. The lecture then modifies this vision as it needed to do by reminding us that we encourage substantial government intervention in such an economy. He did not raise the issue of how far

government intervention can go before you cease to have his ideal private enterprise model. Today by common wish we have the state as a near monopoly buyer of healthcare and education. The railways have effectively been renationalised. Government also presides over a major policy of transfers of cash to those on low or no incomes .

The lecture states an aim of growing faster. This is to be achieved by concentrating on people, capital and ideas or innovation. The lecture talks of the need to raise the productivity performance of the economy. It is unexceptional that we could achieve more progress with more and better education and technical training. He wants a higher rate of private sector investment, given the big boost to public capital investment that has been agreed. He wants to see more innovations and ideas, which will require a private sector boost to investment in research and development. The lecture lacks detail on how any of this might come to pass.

He asserts that a larger state will not deliver faster growth or higher prosperity. There is some truth in that. He then argues he must not cut tax rates before he has got the deficit down, as he does not believe there will be more revenues from lower rates. This flies in the face of abundant evidence. The Thatcher/Lawson Income tax cuts brought in a lot more revenue from higher earners. The Republic of Ireland low corporation tax brought in a surge of new investment and extra corporation tax. The smaller Osborne corporation tax cuts brought in extra revenue.

His policy of tax rises and frozen tax thresholds in April runs the risk of less revenue than if he set lower rates. It will bring slower growth, reducing the output and incomes to tax. The lecture disappointed in saying nothing about the energy crisis and little about the cost of living crisis which is related. If he wants to grow with faster productivity he needs to address the chronic shortage of affordable energy for industry in the UK and needs to restrain the impulse of other Ministers to favour imports over home production in a wide range of areas.

[My intervention to encourage less dependency on Russian energy](#)

Rt Hon Sir John Redwood MP (Wokingham) (Con): Will the Government now allow and encourage more domestic production of oil and gas, to help reduce the cruel dependency of Europe on Russian energy?

Elizabeth Truss, Secretary of State for Foreign, Commonwealth and Development Office: We certainly are committed to using the UK's oil and gas fields. Energy independence is vital. We also need to invest more in nuclear, which my right hon. Friend the Business Secretary is working on.

Offset the economic damage

Sanctions come with a cost to those imposing them as well as to those suffering them. The West's sanctions on Russia will slow world trade, help keep energy prices high and add to the loss of real incomes. There will be a bit more inflation and a bit less growth as a result.

Central Banks have to grapple with emerging stagflation. It means they should not be too hawkish on curbing inflation when falling real incomes will start to do their work for them.

In the U.K. after a policy which was too inflationary there rests the danger of flipping to too tough a policy with too sharp a slowdown. The Bank is determined to over correct for its error of continuing to create too much new money last year. The negative impact of the war and sanctions reinforces the case to abandon the tax rises and cut VAT before they hit in April.

Russian money

There are wild allegations circulating about dirty Russian money in London and in U.K. politics.

U.K. law is very clear. U.K. parties cannot accept donations from overseas residents and companies. All donations with their source have to be registered. If anyone has evidence of a party breaking this rule they should send it to the police.

U.K. law is also clear about Foreigners with wealth coming to live, work and invest in the U.K. They need to meet the Home Office rules on rights to live and work here. When transferring money into the country they need to satisfy banks receiving the cash or securities that they comply with anti money laundering rules. These rules are designed to stop people depositing any proceeds of crime. This ranges widely from drugs and arms dealing money through theft and bribery to tax avoidance. Again if anyone has evidence of a rich foreigner resident here breaking these laws they should inform the authorities.

We should not want to live in a society where it is a crime to be rich or where any rich foreigner living legally here is automatically branded a crook. There will be rich Russians in London who have obeyed our laws and who oppose Putin's thuggery. If they wish to give money to political parties they need to comply with our donation laws. Many rich settlers in the U.K. make welcome contributions by investing, creating jobs and supporting good

causes. it will now be illegal to do business with Putin cronies now on the sanctions list.

(I pay for my own election leaflets and political support.)