

# That Rachel Reeves Lecture

I will spare you a party political response to the Reeves Mais lecture. Various journalists have described its vacuity, verbosity and timidity. I want to set out the big issues that directly affect UK growth, productivity, jobs and incomes that she ignored or knows nothing about.

1 The big role of the Bank of England in creating the instability in inflation and output she condemns. A Bank which buys up £845 bn of bonds to keep money too loose is bound to cause inflation. When it then goes on to hike rates and to sell £130 bn of bonds at big losses it is likely to sabotage growth. She supports this wayward conduct.

2. She rightly criticises poor UK productivity. She fails to reveal the collapse of public sector productivity since 2019 or to show UK private sector factories have competitive productivity. Not a single proposal for turning round public sector productivity.

3. The labour market is talked about with no mention of large scale migration. Will she join me in wanting to ban work permits for migrants to fill low wage vacancies? Will she back government plans to cut legal migration by 300,000 and demand they go further?

4. She sees green investment and jobs as central. How much would her accelerated net zero policies cost? How would she avoid creating many new jobs in China that has cornered the market in big batteries, turbines and solar panels? How would she keep the lights on? Is she going to make us all go electric?

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## Who will rid us of these hopeless “independent” bodies?

Politicians of all parties have this century been in a hurry to shed responsibilities for anything difficult. There has been a rush to create more arms length bodies from government and to transfer more powers and money to the many quangos we already had. The politicians thought that this would remove them from responsibility for outcomes, and would improve outcomes. Neither of these ideas came true.

The Bank of England is responsible for monetary policy and inflation. It has a prime aim of keeping inflation to 2%. It let it go to 11% by debauching the currency but most politicians declined to criticise or comment. The government got blamed for the inflation, and the government joined the Bank in blaming the Ukraine war.

NHS England with its high paid CEO and large Board and top management team is responsible for running the NHS, for recruiting, grading, rostering and paying all the many staff. A series of strikes hit the NHS. The executives denied all responsibility for staff relations, pay and grading and said the dispute was a matter between Ministers and the Unions. It is difficult for Ministers to resolve the disputes when they cannot hire, promote, regrade, alter shift patterns or reward anyone in the NHS as all that is controlled by senior executives. Whatever goes wrong in the NHS the senior executives always blame a lack of money, however much extra the government provides. The government gives large sums to get the waiting lists down only to see them go up.

The arms length Post Office is regulated and monitored by UK Government Investments. They approved senior management, paid them large salaries and bonuses and just watched as they lost a stunning £1400 million as well as sending many innocent staff to prison for fraud and wrong accounting they did not carry out. Ministers intervened to try to get criminal charges quashed and compensation paid, only to find the Post Office was still holding back in many cases.

The Rail Regulator, HS 2 and the nationalised Network Rail run by well paid senior executives have presided over a big loss of passenger numbers and revenue, and have racked up huge losses for taxpayers. Parts of HS 2 have had to be cancelled owing to the absurdly large overruns on cost and timetable. Ministers are blamed for the results.

This could be a very long list. Many cases would reinforce the obvious points of these first three. High pay is a reward for poor outcomes. No-one makes the senior managers responsible. Opposition parties have no interest in criticising the managers or holding them to account before they go so wrong, but delight in blaming the government when they do. Government is too cautious about intervening, fearing the Opposition would complain if they did. Both sides mouth the doctrine of independence, with the Opposition contradicting it often in the same interview by blaming Ministers for failures. So overpaid managers get away with disaster after disaster and the taxpayer ends up with a huge bill.

Parliament and Ministers need to go back to accepting responsibility. They need to monitor, influence and if necessary change these top managers before disaster strikes. If someone wants private sector levels of CEO pay to run the railways or the Post office they should expect private sector levels of surveillance and should expect no bonus or the sack if they make big errors. Ministers need to institute regular review meetings and proper reporting to them as shareholders or leading stakeholders in these bodies, so they see problems as they develop and require fixes before they get out of hand. Those few of us who warned of the likely inflation or sided with the sub post masters were ignored.

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## Cleaning up the litter

This morning I joined volunteers in Swallowfield to help pick up litter. I had soon filled a large rubbish bag with old drink cans, food wrappings, crisp packets and other debris.

Thanks to all those who turned out to help. The place looked a lot tidier as we piled up the bags of rubbish.

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## Winning elections

Conservative briefers are saying the party needs to be united to win the election. I have good news for them. Parties with plenty of internal rows and disagreements always win, as the two main parties who usually win always have MPs who disagree with the leadership. Today's Labour party is badly split over Israel and the Middle East, over a faster move to net zero and over Rachel Reeves OBR austerity economics but that has not stopped them doing well in opinion polls.

In the last 50 years there have been two leaders who have won three elections in a row, a remarkable achievement. Margaret Thatcher did so despite facing continuous opposition from a significant group of MPs called the Wets. They regularly briefed disobliging comments about her personally as well as attacking her policies. They rebelled in Parliament on various measures. They put up a stalking horse candidate against her for leadership. They backed Heseltine as a replacement. He resigned from government to promote himself. She kept winning because she set out and enacted a clear vision of UK revival, economic growth and wider ownership.

Tony Blair kept winning despite facing many media stories of his Chancellor's disagreements and briefings from pro Brown people that wanted the Chancellor to take over. He had to deal with a left wing group of MPs who thought he was not nearly socialist enough. He persevered with the low tax rates the Conservatives left him and avoided recession. Eventually he was persuaded out before his Chancellor's policies put us into a banking crash and deep recession.

If an election were a contest of who is the more united party Labour would be discovered as very split. The truth is millions of former Conservative voters are undecided or currently saying they may stay at home or spoil their ballot paper or vote for someone who cannot win. They do not want a Labour government and see that Labour government would double up on those very policies of this government that they do not like.

To win the Conservative leadership needs to do more things this group likes

and voted for. Start with getting migration well down as now promised and cut back the woke state to free money for more tax cuts. Let people make more of their own choices. Champion the big Conservative success of halving unemployment and allowing so much job growth.

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## The Bank gets it wrong again

The Bank of England forecast inflation at 2% when it was going on to hit 11%. So clearly it does not understand inflation and has little ability to forecast it accurately as it is required to do. It tells us the inflation was caused by the Ukraine war and energy prices which it could not predict. So how come inflation was already 3 times target before the invasion? That main part of the inflation was not caused by the war. How come Japan and China kept inflation down to around 2% despite having to import much dearer energy as a result of the war?

Now we are told they cannot risk lower rates because there could be more trouble in the Red Sea. Freight rates and insurance rates are already well up and much shipping has been diverted to the long route, so markets know all about that pressure on prices. Meanwhile the money supply has been squeezed, credit is dear and scarcer, mortgage demand has fallen and the Bank ignores all these obvious signs that inflation will come down.

Worst of all is the gross distortion of its balance sheet. They bought far too many bonds at crazy prices in 2021 only now to want to sell them at huge losses and send the taxpayer the bill. Why? The ECB that made the same inflationary mistake is not doubling the error by selling bonds in the market. The Fed is not getting reimbursement from its Treasury. Only the Bank insists on double austerity with squeezed money and less public spending or tax cuts as the taxpayer picks up the bill of the UK's uniquely bad bond investor, the Bank of England. Never has the Bank lost so much money so quickly for no good purpose.

We need an urgent change of Bank policy, Stop selling the bonds. Cut the base rate by 25 bp. Switzerland, Poland, Hungary, Brazil, China have started cutting their rates.