

November 5th

Today we remember a dreadful terrorist plot to kill the King and Parliament assembled. A small group of men hired a cellar under the Lords chamber where the King would speak to his Parliament and packed it with barrels of gunpowder. The aim was the mass murder of the government and Parliament of James 1.

The plot was foiled thanks to excellent intelligence work alerted by a note sent by a conspirator to a relative to avoid going to the opening of Parliament. It was decided after the event to remember the near disaster annually by lighting bonfires, a tradition that has continued.

In 1983 I was asked to leave the Grand Hotel where I was staying for the Conservative conference at 3 in the morning after a bomb had been set off and a central part of the hotel had collapsed, killing and maiming some guests. The aim was the same as the Gunpowder plot, to kill leading figures of the government led by Margaret Thatcher.

The Jacobean gunpowder increased tensions with Catholics in England and delayed the necessary passage to religious toleration. The Brighton bomb delayed a peace process in Northern Ireland .

These terrorist events have been put behind us, though they leave deep scars particularly for those who lost loved ones or who were injured in the bombing. The country did move on to reconciliation and to live with differences of faith and outlook. As we witness terrorist attacks and the military responses they evoke elsewhere we should remember that it is possible to find peaceful ways of living with differences.

AI, work and the work life balance

Mr Musk went well beyond what is likely to happen with the introduction of more Artificial Intelligence when he said it is the end of work. The process will create new and additional jobs in AI activities. Many of the current jobs continue, with AI as a computer assistant to the employee. New things will be possible. The automated factory did not make everyone redundant and the arrival of computers did not end the office. It does however, open up an important debate about what is work and how much of it we need to do and what we want to do.

The debate is usually arranged around the simple division of work and life. I find this odd, as work is part of life and not all the life part of this division is freedom or fun. Some seem to think the route to a happy life is to minimise the hours of formal paid work, with movements to work fewer days

and or fewer hours. The issue then is how are the hours spent that have been spared if this is successful.

I think it better to divide time up into four blocks each week. There is the one third spent in bed and sleeping. Not much ability or need to change that. There is the time spent in paid employment. There is the time spent in work within the home and family. There is true leisure time when you can watch a movie or play a game. The relative amounts of each of these is flexible and changes over time. More chores time is needed with children in the home. More leisure time comes when retired. It also varies with income and those with money to spare after the basics have more options for leisure and pleasure as well as more flexibility to buy in goods and services they need.

Some people like their paid work. It is what defines them, gives them interests and energy. They seek more work and expand their hours, using the extra money to have more help with the chores and services they need in their lives. Some people dislike their paid work so they look for ways to minimise its impact, and often take up unpaid work at home to supplement as often not liking your work goes with less pay. Be paid less and decorate your own home, be paid more and hire a painter. Being paid less certainly goes with less working hours as you wish to minimise them. Some see that it is not work as a whole they do not like, but the bad job they have got. They look for promotion, training, or major job change so they can find something they do want to do. When people retire some recreate features of their old job and do them for free. Some extend the range of work they do in the home instead. Many hobbies are other people's work.

All jobs have features that annoy, but so do many leisure activities. I dislike the journey to work now so many Councils have wrecked the roads, created more jams and try to ensnare more motorists into offences against massively multiplied rules. I do work from home more to raise my productivity and cut down the wasted hours fuming about road works and road closures. I also dislike the travel for a week end break or holiday because that can be even more vexatious as it is a longer journey. A holiday is to many people the pleasurable aim from working more, but if the hotel is bad, the weather poor and the visitor attractions closed or sub par the holiday ceases to be that delight that makes everything else worthwhile.

Each one of us chooses a different balance of these uses of our time, and each one of us has constrained choices by what we can afford and what others will let us do. We can all strive to improve or change in ways which expand our choices. There is no simple work/life balance, and no early move to replace us all by computers and robots.

Bank of England hits new low in its analysis and decisions

The latest MPC meeting was hopeless. There was once again no recorded discussion of money and credit. There were generalised banalities about overseas economies that sounded as if they been taken from a newspaper comment. There was no consideration in the report of how the fall in money will transmit through the banking system. There was no consideration again of why Japan and China had avoided the high inflation the Bank has created here. There was the usual alibi comment that rises in global prices like oil are a given and can cause inflation.

Worse still was there was no explanation of why they persist in wanting to sell £100 bn of bonds at large losses. There is no proper consideration of the impact this will have on long rates in the market and on money. Just as the Bank refuses to discuss or accept its extreme money printing and bond buying had any effect on the inflation so now they refuse to see the adverse impacts of the reverse. Indeed they seem to think these policies are asymmetric. They thought buying bonds at ever crazier high prices was a positive on prices and output when they thought they were fighting deflation. They now think there is no negative effect when they switch to selling bonds at ever lower prices and bigger losses.

The Treasury continues to reimburse them for huge and unacceptable losses. It should tell them to stop the sales. The ECB who made a similar inflationary error by creating money and buying bonds is not making the opposite mistake of selling them in the market at needlessly high losses. The Bank should on this occasion learn from the ECB. Instead they will not even talk about their error, just as they refuse to accept printing loads of money was inflationary.

Councils spend too much

In the three years to 2019 Councils spent £ 6.6 bn on buying up commercial property. I was against this at the time. Property had risen in value and the private sector was keen to offload shops and retail centres, seeing the rise of on line retail. The Councils were able to borrow cheaply thanks to the low interest rate regime, and expected rental income to exceed their costs.

Unfortunately for them covid lockdowns and new drives to on line shopping and working from home accelerated the negative trends for many of the shops and offices they bought. The collapse of many commercial property values will have hit valuations of Council owned property.

The Councils who had all this money to buy these assets often now claim to be short of cash. Maybe they should sell these assets to raise money where the values are still sensible. Maybe they should cut their losses when they can where they made bad investments as going forward they will be paying more interest on borrowings than when they first bought. They should stop adding to these portfolios. Wokingham taxpayers should not be made to buy a solar farm. The Council is not skilled in such an area and claims to be short of money. The risk is not acceptable for a public body.

Many Councils have redundant or surplus assets beyond these speculative portfolios some bought. They should be selling. Many Councils are spending far too much on consultants on top of the salaries of officers meant to be qualified to undertake many of the specialist tasks. Many are still annoying many drivers with expensive schemes to delay the vans and cars more. Save the money and spare us the aggro.

What is the most annoying waste of money from your local Council? How many extra admin staff have they taken on in recent years?

[My Article in Conservative Home](#)

Treasury briefing keeps telling us unfunded tax cuts will cause inflation. We have just lived through two years of surging and high inflation with increased taxes. That should lead them to question their bizarre view of inflation. If they believe that tax is the key to inflation why don't the Treasury think the tax rises also caused the inflation? In one sense some of them did, as they heaped higher taxes on energy as energy prices soared.

The Office of Budget Responsibility acknowledges that it has overstated this year's borrowing so far by £20 bn yet carries on asserting there is no scope to cut taxes. The reason borrowing is lower is once again they got their forecasts of tax revenue wrong. I read in the press they keep sending the Chancellor very different forecasts of how much borrowing there might be in five years time. The Government uses this to decide what tax cuts they can afford. The OBR forecasts though wildly fluctuating never seem to fluctuate to allow tax cuts according to the press briefings that filter out. Why does the government use the five year forecast to decide anything? It is bound to be wrong. The last three years have seen many overstatements of future borrowing by the OBR for the immediate year which should be a lot easier to get right than five years out.

The Treasury and Bank need to think again about the inflation they have just presided over. Let me give them some thoughts on what did cause it. The Bank should grasp that printing £150 bn and paying very high prices for bonds to keep interest rates close to zero was inflationary. The Treasury should understand that boosting spending by £350 bn a year over three years and borrowing the money to pay for much of the extra spending was inflationary.

They ended up borrowing it at overdraft rates from the Bank of England. These rates then surged as the Bank decided to hike them. It means it was very unwise to borrow like that. If they had funded it long it would have been a lot cheaper and arguably less inflationary. The Government needs to grasp that recruiting 103,000 more civil servants over six years and allowing a 7.5% collapse in productivity was inflationary.

They will reply that the surge in oil prices from the Ukraine war was inflationary. It certainly drove up energy prices but does not account for why UK inflation was already three times target before that happened. Nor does it explain how big energy importers China and Japan did not have a big inflationary surge as we did, but then they did not print lots of extra money and drive their interest rates lower.

The budget needs to cut taxes. It also needs to help bring inflation down and it needs to push downwards on the deficit. Far from being impossible to do these three things at the same time, the right policies will indeed do all three together. If only the Treasury had a model of revenues that picked up how increases in growth deliver higher revenues more accurately it would be easier to persuade them. If only they were better at controlling public spending and at avoiding big falls in public sector productivity that would help too.

Let's have a go at a budget that they should grudgingly agree using their wayward models will achieve these ends. Let's start with getting inflation down more quickly. Suspend the 5% VAT on domestic energy for heating for the year ahead. Take 5% off petrol and diesel by a temporary cut in fuel duty. This will give a useful nudge down to energy costs just as world prices are increasing again. Some of the revenue lost will be compensated by higher profit and windfall taxes on the energy companies as they benefit from higher world prices. Cover the rest with some of the proceeds of selling the whole remaining holding in Nat West shares. A lower rate of inflation earlier will also save some money on public spending which is very geared to the inflation rate.

The budget should proceed to expand the supply side of the economy to offset some of slowdown the Bank is creating. The VAT threshold for registering small businesses should be raised to £250,000 from £85,000. This would release a lot of new capacity quickly which in turn would produce a bit of downward pressure on prices. More importantly it would generate additional tax on incomes and profits as the small businesses did more. Treasury models will score this as a revenue loss so offset their fictional figure with rephasing some of the £20 bn carbon capture and storage spend. It is unlikely anyway that large scale projects with good business cases will be available to subsidise any time soon.

We have lost 800,000 self employed from the workforce since February 2020. Some of this may be Covid related. It is also the result of tax changes in 2017 and 2021 which make it too difficult for some to grow their businesses in the way they used to, particularly where they need business customers. Change the rules back. Again Treasury will claim a loss, though it should save government money especially where people move back into self employment

from benefits. This could be more than offset by imposing a strengthened version of the civil service recruitment controls the Government is talking about. Natural wastage should slim the civil service after the increase of 103,000 in just six years.

Switch farming grants for the future away from stopping people growing food to supporting them for doing so. That will generate more business success to tax. It will cut imports which do not deliver any income tax, national insurance and corporation tax on the food growing,

Save on anti driver schemes the Transport Department helps fund, in accordance with the welcome new approach outlined by the Prime Minister.

There are many other places for reducing the costs of government. All this means we can have lower taxes, a lower deficit and lower inflation. This is a cautious package. It would be possible to move further and faster to generate more growth. Look at the USA which has managed to get inflation lower than us despite their Central Bank making the same mistakes as ours. It has also just recorded 4.9% growth.

Just do something to cheer us up. We are fed up with being controlled by wrong forecasts by the OBR. Nor should we have to pay further for the wild policy swings of the Bank of England who did much to give us inflation in the first place. We do need higher public sector productivity, lower costs of Government and a lower deficit. This can advanced with tax cuts which lower prices, create more supply and boost incomes and profits to tax at home.