

The choice in the election

The polls and betting suggest the choice is between a Conservative led majority government or a Corbyn Labour led minority government. There is a large divide between what Labour is offering and what the Conservatives propose.

Labour's approach is based on large increases in taxes and borrowing, to finance a large expansion of the state. In particular they want to nationalise large swathes of the utility sector with discounted compensation to existing owners, and wish to take 10% stakes in quoted companies.

The Conservative approach is likely to be based on the controlled increases in public spending on health, education and the police they have announced, with some tax cuts to come. I would like to see the 1% of GDP stimulus from this combination that I have been arguing for.

We know from past experience at home and present experience abroad that the Labour high tax high spend high borrowing strategy will miscarry. Taxing the successful, hard working and prudent more will send some of them abroad and others will be less motivated to grow their businesses and create more jobs. Excessive borrowing by the state can crowd out credit for business and for individuals to buy assets for themselves. The Labour leadership have admired some latin American countries like Venezuela in the past for their generous expansion of welfare and state spending, only to see the misery economic collapse creates. Well intentioned socialism often ends up creating shortages in the shops, a balance of payments and overseas borrowing crisis, and more poverty as businesses pull out and jobs are destroyed.

Conservative and Coalition economic policy since 2010 has stabilised a badly damaged economy and has created conditions for many more jobs including full time and better paid jobs to be created. Inflation has stayed under good control, productivity has been disappointing and real wage growth like much of the rest of the advanced world weak. Banks are now stronger and debts under better control.

The right things to do now are to pursue policies that can help lift productivity and therefore real wages at a faster pace, to ease conditions sensibly without alarming international investors.