Leadership, a retrospect

The consultation of members of the Wokingham Conservative Association put Boris Johnson in first place, a little ahead of Rishi Sunak. Penny Mordaunt came a poor third. Boris has many strong supporters whilst more Rishi enthusiasts support their man because he is not Boris.

Amongst constituents there was also much more interest in Boris and Rishi than Penny. Both men attracted strong support and evoked strong antipathy from others. Amongst constituents a few more favoured Rishi, but this seems to be particularly true of people who do not express Conservative values and outlooks and are unlikely to given the attitudes they do express.

Boris and Penny answered my questions about the economic issues but Rishi did not. I look forward to an early statement from him on how he will fight recession whilst continuing the work the Bank and Treasury have done to bring inflation down.

As you now know MPs did not get a vote between the candidates, nor will members. All now rests on Rishi making good judgements of how to pilot the economy and how to build support with the party and the public for what he wants to do.

Ways to cut spending

The new Chancellor says he is looking for ways to cut spending to bring the borrowing down. I have sent him a list of ideas familiar to readers of this blog where they have been published before.

Today there are some easy ways to make an impact.

1 Reverse his decision with the Bank of England to sell some of the bonds they own at a loss. Not selling would save in excess of £10 bn in the year ahead.

2 Work with DWP to improve incentives and support to help 500,000 people on benefits to get jobs. Saving around £5bn from less benefit and more tax.

3.implement Braverman plan to stop small boats illegal migration. Save £3bn in annual additional hotel costs.

4. Cancel HS2 and resell land acquired. Save many billions starting this year.

5. Adjust energy package to limit subsidised energy for households to the average usage, requiring those who use more to pay full price for the extra.

6 Substitute more UK gas and oil for imports by pressing on with extra N Sea production. This will cut the import bill and boost UK tax revenues substantially.

The Bank wants to lose money on bonds

The Bank of England announced again this week its plans to sell some of the bonds it bought at much higher prices. Lower bond prices mean higher interest rates. When it last announced this it then was forced by the market into wanting rates lower so it flip flopped and bought more. Now it wants rates even higher so it plans to sell them again. I think they are wrong to be selling at current levels. They should wait until they can lower rates again when the bonds will be much more valuable. Longer rates are quite high enough to curb inflation, as most forecasters see it coming down next year after a probable peak next month.

Mr Sunak as Chancellor approved £450bn of bond buying and underwrote all the purchases. When the Bank does sell and takes a loss that loss has to be paid by the Treasury. All Chancellors from Darling onwards agreed to bond buying and agreed to pay any losses. As the decision to buy was a joint one between the Chancellor of the day and the Governor, and as the Treasury pays the losses, the Chancellor should tell the Governor he does not have the money to pay for taking losses now and the bonds should be held for better times. How much is the Bank planning to want the Treasury to find to cover losses over the next twelve months? Bloomberg suggests over £11bn.

This week Mr Hunt signed off a Bank scheme to lend money to energy companies if they needed it. Once again the taxpayer through the Treasury is guaranteeing the Bank against loss. I think the government should be more careful about all these guarantees.

As Mr Hunt tells us he needs spending cuts to reduce the deficit he should start with this one. He must tell The Bank he will not pay for losses on bonds they do not need to sell. That will save us billions. Sometimes saving money can be popular and easy.

Consultation on leadership

I continue to consult on who my constituents would like to see as the next PM. A good number have written into my email and some have expressed views here. The Wokingham Conservative Association has also consulted and is letting me know the balance of opinion amongst members who of course have a vote in any final ballot assuming there are two candidates with more than 100 MPs backing them. I am also seeking the views of the candidates on various matters of importance.

The state of the economy and those official forecasts

Consumer confidence remains stuck at the ultra low level of minus 47 on the Gfk index. Retail sales fell again in September. The public sector borrowing figure came in at a hefty £20 bn for September, £5.2bn more than the OBR forecast. All this is proof of a weakening economy. So why do the Bank and some in the Treasury think we need to slow it down more? Can't they see that will increase the borrowing we need to do, as slowdown reduces tax revenue growth and increases benefits expenditure.

In the previous two years I had to disagree with the OBR stating they had greatly exaggerated the borrowing needed, as it turned out they had. This year I said I thought their forecast was too low. In the six months to September state net debt has risen by £44.7bn more than the OBR forecast. It reinforces my general point that their forecasting model does not seem to pick up the sensitivity of borrowing to the rate of growth in the economy. Speed it up as last year and revenues surge cutting borrowing needed. Slow the economy down as this year and the reverse happens. It was also clear there had to be policy change to spend more to offset the energy package as has happened.

Given the wonky way they account for interest charges there will be a big windfall decline in interest costs as soon as inflation comes down. Actual interest being paid as cash payments remains low and very affordable. There could be something like a £30bn fall in their stated interest part of total spending going forward from next year.

Meanwhile the mainstream media send out the misleading narrative that a few tax cuts-not the huge spending package on energy- sank the bond market They refuse to talk about The Bank selling bonds and deliberately driving rates higher. They ignore the bond sells in the USA and Europe. The Treasury and Bank establishment have lots of little helpers.