

## Grown ups in office

I read the spin that Rishi Sunak is a grown up. The Establishment use that phrase to write off anyone they disagree with as not part of their grown up club. Their idea of a grown up is one who just does and says what they want them to.

So it was Grown ups who pushed the U.K. into the Exchange Rate mechanism . Those of us who warned it would lead to a boom/bust were told we were not grown ups. We were, however, right.

It was more Grown ups who told us between 2005 and 2007 that the huge multiples of debt and derivatives produced by the global banking system were fine as they had found new ways of managing risk. The many of us who warned it would be inflationary were dismissed.

Once the grown ups accepted they had triggered a debt laden inflation they switched to blaming the banks, draining markets of cash and forcing some banks into bankruptcy. Again we few who said make the adjustment slower and manageable were dismissed.

In recent years the grown ups told us money did not matter. They said they could create billions of it and keep interest rates at zero with no inflation. Anyone who said the opposite was dismissed.

Now they recognise they do have an inflationary problem in the U.K. the so called grown ups want to create a needless recession to tackle the inflation. They do not see the big monetary tightening belatedly undertaken will bring inflation down next year.

How much more damage do these grown ups want to do? Why are they addicted to boom/ bust policies. Why are they so bad at reading the cycle?

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## Memo to an incoming Prime Minister Take control of our borders

One of the defining characteristics of an independent country is it has its own policy on who can come and live and work in its territory. Offering citizenship is a privilege. Agreeing to someone coming here to live is a big commitment by the state, as every legal migrant becomes eligible for benefits, full free NHS care, help with housing and much else. Some estimates suggest around £250,000 of capital stock is needed to support each new arrival when you take into account housing and public service provision needed.

When we were in the EU we were linked closely to the continent by a policy of freedom of movement. In other words our own borders were not under our control, as anyone admitted to any country in the EU gained an entitlement to come to the UK as a result. It encouraged a policy for some businesses of recruiting larger workforces on lower pay by bringing many lower paid people into the UK to carry out the jobs. More of us wanted the companies to aim for higher productivity allowing higher wages by putting more into automation and into training so each staff member added more value and had better machine and computer support.

Today we have introduced a policy of allocating permits to come to live and work here based on skill levels and pay levels in areas of scarcity. These may need tweaking to get the full effects from encouraging more local employees with higher productivity and pay levels. There remains important outstanding business. There are too many people traffickers plying an evil trade in small boats across the Channel to bring in illegal migrants which needs stemming. There are too many difficulties in removing foreign criminals who have come here. The new Prime Minister needs to give full support to the Home Secretary to legislate and administer a solution to these obvious areas of weakness.

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## [Memo to an incoming PM – Growth is what we need](#)

The kind of growth we need is growth in output per head, not more output because we have invited in many more people for lower paid jobs. This will come from improving the atmosphere for people setting up and expanding businesses, and companies making investments into the UK. It means sweeping aside the large hike in Corporation Tax planned for next year. We need a low headline rate by world standards to attract footloose investment and to leave more money for reinvestment for successful companies. The Republic of Ireland gets a bigger contribution to its total revenues by having a lower rate than us and attracting proportionately more investment.

We need a package of measures to help small business and the self employed. We need to end the IR35 pressures against more self employment whilst taking action against six figured salaried people who use a service company to disguise working wholly or mainly for a single employer. We will need more flexible local capacity in many areas which requires a more supportive approach for those venturing on their own.

The UK needs to rebuild its national resilience in a wide range of areas. It is good that it is building on its recent success with vaccine development to encourage a larger pharmaceutical cluster of research and production. We need to exploit more of our own substantial energy reserves at a time of western

shortages, and to develop gas as a crucial transition fuel and feedstock. We need more home grown food and more home produced goods.

Controlling inflation requires a better money policy than last year's, and investment in more capacity to ease supply shortages and cut import dependence.

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## **Memo to an incoming PM – it's the economy stupid**

The main advantage we must bring out of the leadership change is a change of economic policy. The outgoing Chancellor's policy was to correct the inflation monetary policy has brought on by a treble squeeze. He wishes to add tax rises to the current monetary squeeze to the cost of living squeeze. It is time to drop the tax squeeze. This is not something the USA and the Euro area are doing even though they too dropped the ball on money growth and triggered rapid inflations. Japan and China have inflation at 2.5% despite high energy prices, showing monetary policy matters.

The incoming PM will be told by Treasury officials that there is no money to afford tax cuts. They will argue tax rises are needed to bring the deficit down more quickly. They are wrong on both counts. On their own arithmetic there is scope in their figures for budgets to cut taxes, as the faster growth of the economy than they forecast last year delivered a deficit £100 bn lower than forecast. Nor will tax rises necessarily bring down the deficit more or at all. If the tax rises are too steep so they plunge us into recession, spending goes up and tax revenue down leading to a bigger deficit.

The new government should choose tax rates that maximise revenues, which in some cases means lower rates where tax is avoidable. It should act to offset the slowdown in the economy being brought on by the double squeeze, as only with growth will current public spending levels be affordable. Given the silly figures the Treasury uses for debt interest there is on their forecasts a big fall in those over the next two years which gives more room for tax cuts.

The Treasury should also be reminded state borrowing if properly funded is not inflationary. The state either takes money from the private sector as tax to lay its bills or as a long term loan. Either way the private sector has less money to spend and the state more. Printing money as Mr Sunak and the Bank did is usually inflationary. Only when there is huge shock as with first lockdown May it be necessary and not inflationary. A central bank allowing commercial banks to advance too much credit can be inflationary. Central Banks need to set interest rates and required capital ratios to avoid this.

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## Memo to an incoming PM Help Cabinet government work better

One of the most important things a PM does is choose people for senior Cabinet roles. These choices are best based on talent, energy and understanding of the jobs concerned. Whilst of course the overall balance of the Cabinet has to take into account wings of the party, geographical spread and loyalties these should be secondary issues to the more normal matters in selection that are related to being able to do the job well. Cabinet members do not get a phase in or training period when they first join. They are expected from Day 1 to be able to make decisions, defend their department and show knowledge of their topics regardless of their background and experience.

The PM should have regular review meetings with the senior Cabinet members one to one. These meetings should be to give guidance to a Cabinet member over PM preferences and how the departmental policy and priorities can fit into the general strategy. They are also occasions when the Cabinet member can ask for support and assistance, and the PM can show understanding of a colleague's plight and mentor where necessary. As there are too many Cabinet positions to report one to one to the PM senior Cabinet members should perform the role for more junior Cabinet members. The Chancellor should guide the Chief Secretary, the Foreign Secretary the Overseas Aid and Trade Ministers etc.

Cross departmental strategies like levelling up or greening government should come to Cabinet for determination. Conflicts between departments over issues should come to cabinet or committee for resolution. A Cabinet member should be held responsible for a policy entirely or mainly within their own department. So the Chancellor should be responsible for tax strategy and the Home Secretary responsible for migration policy. Given the importance of these to government as a whole the PM should keep them under review in the one to ones and they should report to Cabinet regularly as well.