

## Electing a leader

There are many considerations in choosing a candidate to vote for. I see some on this site have already written off the full slate of 12 possible candidates. You need to live in the real world. The new PM will be an existing Conservative MP. The 12 include people with a wide range of talents and past successes and each would bring something different to the role. Choice involves compromise. No one gets everything they want in an ideal leader, or everything they support in the leader's programme. We are choosing someone who needs to be right for the nation, not just for us.

The assessment is a mixture of issues. Does the person broadly support the values you like? Do they have an outline programme of action to carry through those values? Does their past demonstrate an ability to overcome obstacles to seeing through important changes? Would they be able to earn the loyalty of enough support, and would they be confident enough to recruit a talented team of Ministers? Will enough of the public like or respect them?

The ability to communicate and carry people with them is important. It is no good having a good programme or great ideas if you cannot get elected to the leadership role or if you lack public support to retain office. Reading the public mood and making the right advances at the right time is a crucial leader's skill.

It will be a demonstration of leadership skill to emerge victorious from this crowded field. It is important the MPs present two candidates to the membership and that both agree to fight a good campaign to give members a clear choice. It will be a test of character and political skill as well as a judgement on two competing programmes.

The truth is a lot is potentially up for change and that could be a good thing. The other truth is the unelected governing establishment will be looking to circumscribe or control an incoming Prime Minister. Some of them see it as an opportunity to bin work on The Northern Ireland Protocol, human rights law reform, controlling our own borders, setting our own VAT and using the freedoms of Brexit.

---

## The creation of £450bn of magic money and inflation

Mr Sunak asks us "Do we confront this moment with honesty, seriousness and determination, or do we tell ourselves comforting fairy tales that might make us feel better in the moment but leave our children worse off tomorrow?".

The briefing which accompanies his leadership offer tells us this is the man who will control public spending, reduce the deficit with tax rises and then get the economy growing again. He is the man who will not offer early tax cuts as these could fuel inflation.

So let us examine his presentation of his past and future economic management plans.

I am glad he now takes inflation seriously and is now determined to get it down. He is of course the man who approved and signed off the creation of £450 billion of new money during his brief period in office whilst claiming the Bank of England was independent. Indeed, so independent was the Bank that he was also required to sign off a complete indemnity on all the bonds the Bank bought with the new money, as they were bound to fall in value as soon as interest rates went up. The truth is the main policies of printing money and keeping rates down for too long was the policy Mr Sunak endorsed and made possible, putting the full weight of the Treasury behind it. When I and others suggested the last £150bn of the printed money was too far and would be inflationary he disagreed with us. Most did agree with the early offsets to the big damage the covid lockdown did but he continued them long past the recovery which added to price rises.

I am glad he takes controlling public spending seriously. During lockdown he was the biggest spender as Chancellor we have ever had. Most of us agreed there did need to be substantial packages of support to families and businesses whose budgets were wrecked by enforced idleness to meet the health policy priorities. We did not agree with the lax approach to fraud and error in the disbursements. Nor did we see a lot of value for money in the very expensive test and trace schemes he supported and financed. His campaign has not yet identified how he would now find ways of curtailing spending which he did not find as Chief Secretary or Chancellor.

He used to tell us he was a low tax enthusiast but he now tells us tax cuts are unrealistic. He put in place a 31% hike in the business tax rate. He put through an increase in employer and employee's national insurance, breaking a Manifesto pledge and imposing a new tax on jobs. He put in a new social care tax and an on line shopping levy. He froze thresholds of Income tax driving many more people into higher tax bands. He left office as the Chancellor in a Conservative government who had imposed the highest ever tax burden on the UK. New promises of tax cuts delayed are difficult to believe.

He says he was a pro growth Chancellor, but after a good first year of recovery from covid the economy is now badly slowed by his tax rises on top of the inflation damaging real incomes. It is difficult to see how his policies would suddenly rekindle UK growth when they are all based on Treasury austerity.

---

# An economic background to the Leadership election

## 1. Controlling inflation

We have a fast inflation now thanks to a reckless monetary policy 2020-21. The Chancellor was wrong to authorise the last £150bn of money printing in 2021 on top of the £300 bn he had authorised during the covid lockdowns. The Bank used this extra money to keep interest rates down, and some of the money found its way through the banking system into driving up general prices as well as the obvious inflation in the price of bonds and other financial assets which they were directly buying. The Chancellor was wrong to sign a complete indemnity for the Bank against all their likely losses on the bonds they bought, which are now falling in value as rates rise.

The good news is the Chancellor did end his money printing at the end of 2021. Inflation will fall away rapidly next year as the impact of the higher interest rates and the slower rate of money growth now filter through. Running a bit larger deficit will not boost inflation as long as it is financed by longer term borrowing at market rates without artificial creations of new money. What the state spends will then be saved by the private sector lending the money to the government.

## 2. Getting the deficit down

Last year the deficit, the gap between tax revenue and state spending, came in £90 lower than the stupid Treasury/OBR forecasts. They completely misjudged again the impact of faster growth on borrowing, As the economy grew faster so much more revenue came in from all the extra transactions and incomes earned by growth, whilst state spending on unemployment related costs fell. Stamp duties surged on more transactions spurred by the rate reductions. This year there is the reverse danger that they will end up borrowing more as they are slowing the economy too much. If they bring on a recession then revenues will fall short and the costs of unemployment will go up. It is best to get the deficit down by going for growth. Getting value for money from spending also matters and cutting back the excessive public sector overhead would help.

## 3. Taxing to death

The biggest Treasury mistake of the last two years has been the decision to go for a high tax economy. There is the social care tax, the National Insurance hike, the on line tax, the excess profits levy, the failure to increase income tax thresholds in line with inflation, the drift of many more people into higher tax bands, the extra VAT on sky high fuel bills and the threatened 31% increase in Corporation tax bills.

The economy is being slowed quite enough to flush out inflation by the big tightening of money policy and mortgage rate rises and by the big hit to people's real incomes from the surge in energy and food prices. It does not need a third hit from taxes which no other advanced country is trying. The problem will soon be a shortage of demand and a dip to recession, not a continuing fast inflation. It is a pity our peak inflation is delayed by the energy price controls meaning it will likely come in October with the next big hike in bills.

#### 4. Going for growth

The government needs a growth strategy. That requires a bit more demand and lower taxes. Take the VAT off domestic fuel all the time gas prices remain high. Halve the rate of VAT on petrol and diesel. Remove the extra national Insurance. Back investment in UK energy and food capacity at a time of shortages. More oil and gas from the UK will replace expensive and high CO2 imports and will generate a lot of extra tax revenue

---

## The going of Prime Ministers

Most Prime Ministers are removed directly or indirectly by General elections and referendums. In the post war Conservative party only two Prime Ministers have been removed by the party despite being big election winners, Margaret Thatcher and Boris Johnson

Edward Heath was a one term PM. He used a lot of political capital forcing the U.K. into the EEC against the wishes of a substantial portion of his party. He imposed a ludicrous range of controls on the economy to try to control inflation and picked a fight with the miners he was unlikely to win. Electors despatched him.

Mrs Thatcher won three great victories in a row. The experience of government and the evolving EU power grab changed her from Europhile to Eurosceptic. She was brought down by MPs in her own party led by Europhiles.

John Major won an election in 1992 and ploughed on with the deeply damaging European Exchange Rate mechanism policy which duly wrecked the economy. The party foolishly kept him and he went down to a predictable defeat. So comprehensively had he trashed the Conservative reputation for economic competence that he suffered the biggest post war defeat of any Conservative leader in 1997. It was only when Labour did worse by the economy 10 years later that the Conservatives had a chance to win again in 2010.

David Cameron won a good victory in 2015. Misunderstanding the importance of the EU referendum to the win, he backed the wrong side in the popular vote he had granted on the EU and lost. He accepted his defeat and resigned.

Mrs May fought and lost an election in 2017 and then persisted in backing a Brexit sell out to the EU. When she stubbornly insisted on her poor deal for a third time and lost the Commons vote she had to go.

Boris Johnson won a great victory in 2019 by backing Brexit fully. He was then brought down by a range of different MP groups for a range of different reasons.

The common thread seems to be the Eurosceptic PMs were more successful in elections with the public but more vulnerable to party dissent. The more popular PMs faced a much more vitriolic barrage of criticism from Opposition parties, the BBC and the rest of the Establishment. Two of the Europhile PMs, Theresa May and David Cameron were brought down directly by the EU issue, and John Major indirectly as it was his support for the European economic policy that did the damage. The party ratings fell when we were evicted from the Exchange Rate Mechanism and could see the damage, and never rose again in the following 4 years.

---

## [Visit to Biointeractions in Shinfield](#)

I visited Biointeractions at their request. It is a successful company making products to control infection for surgical implants and in other medical uses. They showed me their laboratories, with research, production of their coatings and testing all in the same building at Collegiate Square.

They have grown the business over the years and now have 20 staff. They are developing new products which they think will help infection control in hospitals. It is good news that local talent is working away on one of the crucial issues for the NHS as well as overseas medical services. There is always room to improve infection control to reduce the numbers of people who develop a condition after surgery and treatment.