

The reign of experts and the “post democratic”age

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I like good experts. Modern science and technology has delivered some great advances which improve our lives. If I fell ill I would of course consult a doctor and seek expertise.

The problem is the present age is cursed with some experts especially in economics and government who keep getting it wrong yet they still expect the rest of us to accept their verdicts however damaging or daft they may be.

Lord Mandelson summed up the direction of travel when he talked about transition to a post democratic age. Modern governments try to give away their powers and responsibilities to international and national so called independent bodies full of alleged experts. They seek to prevent elected governments changing things by locking future governments into the system by binding International treaties. For years our budgets and economic policy were first dictated by the European Exchange Rate Mechanism and then by the Maastricht debt and deficit requirements. Our energy policy is governed by Climate Change Treaties.

Some people want us to be democratic so they oppose locking ourselves into the rules and decisions of national and international bodies in principle. Other people would not mind if those bodies made wise decisions and did well, but understandably get cross when they lead us to disaster.

The truth is you cannot say you live in a democracy if crucial parts of government are under independent expert control with no democratic accountability. In practice in a democracy like the UK Parliament and government are held responsible for big decisions even if they are taken by so called independent experts. In a later post I will look again at how the Bank of England is not in fact independent and how wrong it has been on major issues of economic and financial policy over my adult lifetime. It is crucial that fallible expertise is subject to criticism and influence by elected officials and can be overturned if necessary by the votes of the people. The EU has threatened this important part of our democratic settlement with its rigid legal structure. Those in the Eurozone suffer even more from its

defects.

Our aim should be helping people out of poverty and into better paid jobs

One of the main arguments between socialists and conservatives is over the main aim of economic policy. Conservatives want to raise living standards, to help people be better off. Socialists usually want to lower or remove inequality.

These two varying aims require different policy responses and achieve different results. Of course all sensible socialists would also want higher living standards, and all democratic conservatives agree the tax and benefit system should remove some of the inequalities market economies generate. Nonetheless deciding based around a primary aim of betterment for the many or a primary aim of cutting inequality produces different results.

Mr Osborne adopted more of the socialist preoccupation in his budgets, worrying about measures of inequality more than about sluggish rises in average real incomes. He worked out how to administer a bigger tax hit to the wealthy and how to get rich people out of the country or to stay out of the country. One of the easiest ways to cut inequality is to offshore the richest people by having a hostile tax regime towards them. This may then reduce investment and job creation for everyone else as these people live and invest in a more friendly climate elsewhere. Both France and Italy are now wooing the rich with a better tax deal for that reason.

A test of which motivation predominates in a policy maker is that of the Laffer curve. If a Chancellor insists on imposing a tax at a rate that reduces the tax take, we can assume he does so to create more equality at the cost of less income and lower living standards. The decision of Mr Hammond and Mr Osborne to levy Stamp duties that cut the revenue must be based on this, and their persistence with a 45% higher rate of income tax which also lowers revenue.

I want a policy based on a more rapid reduction in low incomes and no incomes. That requires a policy which allows entrepreneurs, footballers and great entertainers to keep more of their earnings so they stay here and pay tax here. They then also buy more things here, invest more here and employ more people here. Jealousy is a nasty emotion, and not a good policy. It makes us all worse off, with less money to spend on public services. As you achieve more growth you can then also lower tax rates on the rest of us, where lowering the rate cuts the revenue for any given level of economic output.

Wokingham Town Centre

Whilst I have been out and about in the Town centre yesterday and today, several people came up and said they thought it was now looking great and worth all the effort and disruption. I was pleased to see so many people about in the cafes, using the shops and visiting the market stalls around the Town Hall. We do all now need to make the best of it and give some business to all those who are venturing for us, to provide new goods and services in an improved environment.

Treasure Island

Facts4EU.org have posted today a useful guide to the continuing huge trade surplus in goods the EU continues to run with the UK. Since the referendum vote they tell us the EU has earned itself a wonderful £250bn trade surplus, so no wonder they want to try to lock us in to their trading terms and laws to keep it going. It is a reminder of how good a negotiating position the UK failed to use during the talks on our exit, and is worth a look on their site.

Good prices and plenty of choice

Whilst shopping on Saturday I was struck again by the huge range of choice of products, the good displays and by some of the keen prices on offer on the High Street.

I saw a Potato masher made of good strong stainless steel with a pleasant wood handle for just £3.99. Assuming a 50% only mark up by the retailer that means it was bought for just £2.67 from the manufacturer, including all packaging and shipping costs. Maybe the mark up was higher and the item cost just £2 delivered half way round the world. It had come from China by ship and truck. What UK manufacturer could match that cost?

Or take a well made and strong pair of kitchen scissors for £5.99. They came with plastic handles over the steel, good cutting edges, and all encased in a rigid see through plastic pack for ease of getting home. They may well have cost the shop between £3 and £4.

There is plenty of manufacturing capacity in the world for everything from clothes to housewares, offering a great array of different styles, colours and specifications. The excess capacity in China and elsewhere means strong downward pressures on the prices of many goods. The family budgets are under pressure thanks to the cost of government – Income Tax, Council Tax, VAT, fuel tax, car park charges, vehicle and broadcast licences, rail fares and the rest – and the increases in prices of various services with a higher labour content.

Consumers are spending relatively more on services and less on goods. As real wages rise so people can afford a few more luxury or discretionary items, with basics taking less of the budget. The new Wokingham Town Centre has a higher ratio of restaurants, coffee bars, specialist food bars and cocktail parlours, reflecting the wish of shoppers to afford an experience as well as simply buying more goods. The digital pound is also surging, with more being spent on mobile phones and tablets, on film downloads, on internet papers and magazines and various specialist apps.

The public sector needs to get smarter at adapting modern technology so it too can be more flexible in the services it offers and keener in their costing or pricing. The USA is pushing back on China to stop it dominating in tec as well as consumer goods, and to protect their data and networks.