

Loves Labour lost

Under Blair and Brown Labour claimed to love rich people, to hug business and to be warm towards the private sector. To win and retain power they pledged to keep the top rate of Income Tax at 40%, to avoid new nationalisations, to privatise some more and to engage the private sector in public services through the Public Finance Initiative. They even kept the Conservative spending plans for the first period, which produced an excellent economic performance and some repayments of state debt.

Later in office Labour fell out of love with Prudence and assisted the huge debt build up throughout the economy, adding piles of ill considered PFI loans to the burgeoning private sector debt mountain. It all ended in predictable crash and tears.

Today's Labour party has fallen out of love with all of this. They do not try to defend most of what Blair and Brown did. The party is after all now run by people who opposed Blair at the time. They are right to ditch the Blair legacy of foreign wars and the collapse of 2008-10, but wrong to ditch all the love affairs with the private sector which helped Labour to power in 1997. Not only did it make political sense to tempt loosely attached Conservatives to join them by wooing them. It also made economic sense to adopt a policy which could help the economy grow and deliver more prosperity. You need low tax rates and encouragement of choice and competition to foster growth in real incomes.

The latest Labour policies are on the Venezuelan model. They want to use price and rent controls to make homes and basics more affordable. They want to ban some contracting out, and nationalise Private Finance contacts. They want to take into public ownership the main utilities, short changing their current owners. They want to boost low incomes and increase benefits. These policies always start with considerable popularity. Their first round effect may well be to cut prices and boost real incomes, but this is soon followed by disaster. Price and rent controls curb supply and lead to shortages. Nationalisation leads to bad investment, inefficiency and to shortages too. In Venezuela foreign investors have been deterred, the shops are empty of many of the goods people want to buy, inflation takes off and nationalised industries let employees as well as customers down. In Venezuela the poor suffer most. The rich have either left or have access to more goods and services by having hard foreign currency to spend that people will value.

When the UK last had a large nationalised sector both consumers and employees got a bad deal. The steel, coal and rail industries in nationalised hands were always closing furnaces, pits and lines, and sacking staff. Energy and train fares were dear and often went up more than general inflation.

Labour wish to eliminate choice. They want to limit your choice of supplier, and limit the number of employers who can offer you a job. Far from liberating the poor they would confine more people to poverty. We have seen their future and know it does not work. The Labour leadership will still not

come out and condemn the disaster which is Venezuela's economic policy,
because they know it is much like the one they want for us.