

Rebuilding a coalition for prosperity and success

Yesterday I talked about why US national income per head is double that of the EU and why the U.K. is only 20% above the EU. Since 2000 the U.K. has allowed itself to waste too much money in the public sector, allowed public sector productivity to plunge since Covid, allowed a disastrous Bank of England to twice put us through boom/ bust money policies and adopted far too many laws, rules and high taxes.

If Conservatives/ Reform are going to oust this Labour government and get us back on the road to prosperity and freedom a lot has to change. One or other of the parties needs to carry most support or they need to do a deal. The agenda to win is easier to define than how to resolve the splits over the vote.

We need policies that make it easier to be self employed, to start and grow a small business, to save and invest at home, to exploit our own natural resources, to restore national self sufficiency in energy, to strengthen our defence and base national security on greater industrial capability at home, to help more people to buy a home of their own, to drastically reduce migration levels of people into low paid jobs and of illegals.

The revival of popular capitalism. Everyone an owner?

POPULAR CAPITALISM

I have been asked to speak at a meeting to discuss what Margaret Thatcher would have done today. I have also been asked to write an updated Introduction for a new edition of my book Popular Capitalism about the drive to wider ownership at the heart of the policy I took to Downing Street in the 1980s. I reproduce some of this thinking below.

Popular Capitalism spread a long way from its origins in 1980s UK. Much of the world is a wealthier place today , with more owners , higher living standards and amazing technological developments. Free enterprise capitalism has empowered people with the mobile phone and the internet, and transformed much business with the all conquering silicon chip, on line shopping, downloaded entertainment and new social media. Many countries transferred large industries from public ownership, backed privately financed

infrastructure, encouraged wider ownership and helped more owner occupiers with their own homes. The USA remained truer to free enterprise throughout and expanded its lead in many fields.

What is Popular Capitalism now?

The idea that everyone should be owners remains a powerful positive driver of prosperity and success. Many People want the freedom of owning their own home to be able to adapt, use and decorate it as they wish. It is so much better to reach retirement with the mortgage paid off and no rent to pay from your pension. Many want to work for themselves and build their own small businesses, enjoying the fruits of their labours by pleasing the customers rather than a boss. Many want savings put by for life's big events or for misfortunes. All want a decent income in retirement which is best assured by saving through a pension scheme. These impulses remain now as then, but in many places other government priorities have impeded their fulfilment for all too many people. High interest rates make home buying less affordable. High inflation erodes savings and living standards. Tax and regulation can deter people from working for themselves or from expanding a small business.

Popular capitalism has also suffered some reversals in business and the wider economy. The manifesto for popular capitalism is based on competitive free enterprise delivering energy, water and most transport. Many of these industries have been denationalised in a variety of countries but in recent years there has been a return to more regulation, direct clumsy interventions in service, price and investment plans and in some cases renationalisation. The old lessons that nationalisation all too often meant big losses for taxpayers, poor working terms for employees and bad service for customers are being forgotten. Monopolies normally serve you badly at too high a price. The world has seen peak tariff free barrier free trade, with the main blocs and leading countries now developing strategies based on tariffs, price controls, bans, subsidies and government directions. The world has turned again to excessive debt build up, when equity is a preferred way of financing to spread ownership.

Europe and the UK have gone too far in regulating and centrally directing. Productivity growth has stalled despite the huge advances that US digital technology makes possible. Government favours the large corporation

and imposes taxes and rules that make it more difficult for challenger companies. They drag more markets towards state capitalism or heavily regulated limited competition in a hollowed out private sector. The pursuit of net zero has led carbon reduction to replace greater prosperity as the main aim of many policies. Government and international conferences visit upon the world their view of what consumers want, only to find they are at variance with what the public wishes to do and buy. In order to travel the road to net zero there has to be consumer buy in on a grand scale, which requires more innovation, choice and competition, not more prescription, subsidies and rules.

Too few young people think they can afford a home of their own any time soon. Too few see working for themselves as a liberating opportunity. Too few hear or read the messages that freedom, enterprise and democracy are interlinked and mutually support each other. The tyrannies of Russia, Iran and North Korea to a lesser or greater extent tell people what to think, what to do, and what to buy. They erode or remove human rights, limit consumer choice and thwart democratic disagreements. They create poorer societies in every way.

State monopolies hold back countries and frustrate employees and consumers. The more people who own, who actively run businesses, who save and invest, the richer the society. The world needs another dose of free enterprise. There are too many state inspired wars, too many high taxes and state rules. That way poverty beckons. Excessive debts build up till taxpayers are overburdened with interest charges. Governments are tempted to inflation to try to conceal their failures, only to make it worse. Everyone an owner democratises capital. More capital is needed to provide all the facilities and services we need for a good life.

Tomorrow at Conservative conference

I will attend the Conservative conference tomorrow.

At 11 am I will give a speech on what conservatism is all about at the Lyttelton Theatre, Birmingham Institute, 9 Margaret Street outside security. All are welcome. Mark Francois as Chairman of the European Research Group and Sir William Cash will also speak.

At 5.30 I am on a CPS panel in the Conference centre (ICC Hall 4 Level 5) to discuss What would Margaret Thatcher do? I will concentrate on the pursuit of prosperity through wider ownership and lower taxes.

The rule of the OBR has given us misery

It is time to change the OBR driven control system. It is said to control the build up of debt and to keep the U.K. state solvent. Strange then that over their years of influence state debt has grown massively, huge sums of money have been printed, we have lived through a nasty inflation, and debt interest costs as they report them have leapt up. To make it worse U.K. growth has been almost as bad as the EU's, falling way behind the USA.

The central OBR control is absurd. Government has to set out tax and spending proposals to give a falling state debt relative to GDP five years out. So budgets revolve around an OBR forecast of a deficit in five years time. The figure is bound to be wrong as no one can forecast that figure reliably. OBR forecasts of nearer term deficits are regularly out by large margins. The five year target is a moving target, shifting out another year as each year passes, so the accuracy of the original target forecast is irrelevant. It does however lead to a permanent bias in official advice against any so called unfunded tax cut. There is no similar pressure against many unfunded spending increases. There is no pressure of any kind to get the Bank of England to lose less, and no effective power to cut the losses of nationalised rail or the Post Office.

We need a new system that controls current year and next year spending and borrowing better. The new government saying current spending and current revenue should balance is a start. Their wish to be allowed to borrow more to invest only makes sense if what they invest in goes on to make returns. Borrowing to do more HS2 or Horizon computer type projects is a very bad idea. Leaving utilities investment to the private sector is a better idea than effectively nationalising them and discovering the state cannot afford the investment and are no good at running them.

Getting the deficit down is

undermining the Chancellor

When I listen to the PM and Chancellor I want to remind them they are trying to steer or improve a £2600 million economy. All we hear from them as they seek to find an alleged £22 bn is items involving £1 bn or £2 bn. These are scarcely rounding errors in the national accounts. If they want to make a difference they need to be moving and finding tens of billions as £26 bn is just 1% of the total.

The big idea to get faster growth bears a resemblance to the previous governments policy, with the injection of a faster pace and less realism. It is to generate green jobs through decarbonising energy in a hurry. This entails writing off much of our fossil fuel driven economy before it is worn out, making net growth difficult to achieve. The £3 bn a year of state investment through the National Wealth Fund and Great British Energy is tiny in relation to the total investment of well over £200 bn it would take to decarbonise electricity generation and to replace the nuclear power stations about to close through old age. It is not a lot more than the previous government was spending through U.K. Infrastructure Bank and the British Business Bank. It is an expensive new pair of letterheads and brass plates and more management overheads.

They invented a £22 bn black hole as a political slogan to seek to bury a Conservative Party that had been badly wounded by a disastrous election defeat. They do not deny that £11 bn of it is their very own inflation busting no productivity gains awards to public sector employees. They do not set out how many underspends or over provisions they also inherited. Without the detail why should we believe them?

There is a rule emerging. Every spending cut or tax rise they want to make can disappear as it hits reality. Taking fuel payments away from most pensioners is meant to save a modest £1,3 bn. Now they are energetically trying to get more pensioners signed up for Pensioner Credit. If 400,000 do so there is not net saving from the change.

They told us they could get £1 bn more from taxing Non Dom's more. As the rich head for the exit it is quite likely there will be no net Non Dom gains. Meanwhile a lot of money that would otherwise fund businesses, employ people and lead to shop and VAT revenues will have gone elsewhere. There could be an overall loss.

They look to VAT on school fees to bring in another £1,4 bn. They now face a court case claiming VAT on school fees violates the very Human Rights laws Labour normally reveres. They could lose the case. Meanwhile they need to offset against the extra tax the costs of more pupils taking state school places when their parents can't afford the fees. Those parents who do dig deeper to pay may then not be paying so much VAT on other things they would have bought if the school fees cost them less. The schools will of course be able to reclaim the VAT they pay on inputs which also reduces the gains by a Treasury estimated one quarter.

The extra oil and gas windfall tax helps kill off extra investment and production from the North Sea. Aiming to raise maybe an extra £500 million it is along with the end of new licences likely to mean a fall in revenue. At a combined tax rate of 78% who is going to want to take the risks of anything new?