

Funding the Future

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Because I am discussing what Rishi Sunak had to say when addressing the CBI last night with Nick Ferrari on LBC at just after 7 this morning I woke a little earlier than usual to see what others thought, and to watch what I could of the speech.

The conclusion that I have come to is the one that most right-thinking commentators have reached. Rishi Sunak does not have a plan.

He has no plan for corporation tax, which it was trailed that he would talk about last night, but about which he and the Treasury obviously got cold feet, realising that to talk about tax cuts for business would, right now, be unwise, to say the least.

So instead he talked about inflation.

"It's hard", he said.

"We'll see how things develop", he suggested.

And "We'll do all we can", he added, subject to the rather specific caveat "So long as we maintain the integrity of government finances and cut the deficit", ruling out any spending of any significance in the process.

Bluntly, Sunak was exposed for what he is. He's a person with very limited understanding of economics, clueless as to what his prime minister might say next, without power as a result, and in any case ideologically opposed to taking any action on behalf of those suffering right now, which suffering is entirely beyond his comprehension. The result was meaningless babble.

I doubt he can get away with this for long. 9% inflation is bad. 10% is worse. And 10% will happen.

So too, to follow, will deflation happen, which is just as difficult to manage. As my colleague and fellow Mile End Road Economist Danny Blanchflower will point out in an article in the New Statesman today, 810 years of inflation data in the UK or its predecessors shows that once inflation hits 10% a pretty massive correction follows soon after, as night follows day, and deflation is often a part of that.

But that does not mean nothing need be done now.

The peak of inflation in the costs the government can control, like fuel and energy, needs to be capped by cuts to VAT and duties.

Support for those who will lose out most - whether pensioners and those on benefits who need them increased now, or those on low pay who need to see the minimum wage rise, again - could happen at this moment.

The Bank of England could be told to stop the ruinously stupid increases in interest rates that are targeted on an economy where households have too much to spend, which is not what we have.

Windfall taxes on energy companies and banks (who stand to be the biggest gainers if interest rates rise further) are required.

And nothing is being done to help those who quite reasonably live in fear of Covid who are creating the labour shortage in the UK right now, and our supposed "red hot" employment market. Announce sensible measures to help them and that problem can be solved.

Nor. come to that is anything being done about ending Brexit trade wars.

And where is the investment programme we actually need rather than the bungs to business that were sidelined last night? Nowhere to be seen, is the answer.

So Sunak could have a plan. But he hasn't.

Is that due to incompetence, political paralysis, a lack of comprehension or a dogmatic lack of willingness? Who knows? But whatever the cause the result is a man sleep-walking himself to failure, dragging us with him.