Funding the Future

We need a revolution

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I posted this thread on Twitter this morning:

Six days after Kwarteng gave the worst budget in living memory, where are we? A summary thread…

The pound has crashed, and yesterday made little difference to that.

The UK's final salary pension funds nearly failed yesterday. It has cost £65 billion to bail them out, much of that going to people who are better off, overall.

The Bank of England is saying it has not recommenced quantitative easing, but it most certainly looks like it.

Official interest rates are set to rise to 6% if market expectation is followed, meaning mortgage rates of 7.5%. I suspect half of all those with mortgages will not be able to pay anything like that. Rents are going to skyrocket as well. A housing crisis is likely.

Inflation is most definitely not under control because of the fall in the value of the pound. We just do not know by how much it is worse, as yet.

Rising interest costs on top of massively increased energy costs and a collapse in consumer demand are going to hit hundreds of thousands of businesses very hard. Maybe that many will fail, and with that unemployment is going to increase, a lot.

The government is saying that despite inflation government services are going to get no new money, meaning that massive austerity is going to be imposed on public services. Many will fail. The NHS already is in some places.

Pensioners and those on benefits are not going to get the inflation-linked rises that were expected next April, even though their financial positions are profoundly perilous.

The world now thinks that we are an economic basket case.

London financial markets will probably never recover from this mess.

Because of Brexit out exports were already destroyed because of the impossibility for many of selling outside the UK due to the admin involved. A cheap pound is not going to change that. But our import costs will increase, significantly.

There is no good news in here.

What to do? Numerous things. First, be rid of not just Truss and Kwarteng, but the party that put them there. This is vital.

Second, because we cannot afford a general election as yet, having already had months without a government this year, a cross-party coalition will need to stabilise the country. I sincerely hope this can be achieved.

Third, we will then need an election and a new government with real vision and courage next year.

That government would have to commit to serve the people of this country and not financial markets.

It has to make employment and not inflation its priority because unemployment is much more devastating than inflation.

It will have to commit to higher public spending - knowing that much of this will pay for itself by delivering tax paid, improved productivity and positive multiplier effects as state employees spend their wages.

It has to commit to use quantitative easing to pay for this in the first instance - not much less than £200 billion will do, and maybe more. So far it has never been inflationary.

There will be a need for higher taxes on the well-off. Wealth will need to be taxed considerably more. This is not for revenue: it is time to reorder British society so that it is no longer structured to serve an elite, but everyone.

There will have to be a willingness to take essential services into public ownership for the long term. Banks may well be part of that.

The Bank of England will have to be instructed to reduce interest rates as fast as is possible to save the domestic economy from ruin: again, if inflation is the consequence, so be it. We cannot afford the devastation of mortgage failures.

There may need to be tariffs on some imported goods to protect struggling UK businesses.

Investment in the green economy will have to be advanced rapidly - for its own sake and as an import substitute and then to create an export market.

And politics will need to be rid of the pernicious influence of dirty money. Cards will have to be face up on the table to partake in future (my own accounts and finding sources are on public record).

The financial markets will need a quiet revolution: the use of savings for speculation has to end if state subsidy for pensions and other savings is to be enjoyed.

People might be shocked by yesterday's £65 billion intervention for pension funds, but they get that amount every year, with it all flowing into the City and not pension returns. That has to end unless the money is used for the public good.

And we need to rethink what is valuable. The idea that markets are good and the state is bad is nonsense. We have to create an economy where there is a genuine partnership.

Nothing short of a revolution can save us right now, and there are risks. But given we cannot survive as we are we have no choice but change. And as was the case in the industrial revolution, we might just turn out to be the first to do so.

Truss and Kwarteng have proved that yesterday was a very long time ago. We're not going back there. We should not want to. But it will need big vision and courage to go forward. I hope some politician has it.