Funding the Future

Restore Britain wants to take us back to the economics ...

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Restore Britain's new economic policy paper is, in many ways, a remarkable document, precisely because it is so economically absurd. Published a couple of days ago, it is called The Wealth of our Nation, and at 64 pages it is both tediously long and remarkably lacking in analysis, whilst being long on assertion.

To save you having to read it, whilst giving you the chance to appraise what this far-right party is saying, I asked AI to summarise it and included those summaries below (because this is the sort of thing that technology is good for). For details of what the report says, I suggest reading those summaries.

That said, let me draw some obvious conclusions. The report promises lower taxes, lower public spending, much less regulation and a much smaller state. Its authors claim that this will restore Britain's prosperity and reverse decades of economic decline. They provide no evidence of any consequence to support their claims, which are asserted, but not supported by analysis or much data.

However, what struck me most about this report was not any of the individual policy proposals, absurd and undeliberative as many of them are. The real issue is with the society that they are trying to recreate, or as they would no doubt put it, restore.

The paper openly states that it wants government spending reduced to around one-third of national income, which was roughly where it stood before Tony Blair became Prime Minister and, in due course, to return the British state to something like its pre-1997 scale. That comparison is, though, misleading.

Blair inherited the institutions created after the Second World War. The NHS existed. Universal social security existed. Universal education existed. Public housing still played a significant role. The welfare state had been accepted across the political spectrum for half a century.

The society that Restore Britain describes is much older than that. It appears to me to be one in which the state retreats from many of the responsibilities it has accepted since 1945. In that sense, what it proposes looks much more like Britain before the Second World War than it does just before Blair.

There is, of course, a reason why Britain changed after 1945. It was not because the country suddenly became socialist. It was because the economic settlement of the inter-war years had failed. The combination of mass unemployment, regional deprivation, inadequate housing, poor healthcare and economic insecurity convinced almost everyone that leaving these matters to markets was simply not good enough. The post-war settlement was not an ideological experiment. It was a pragmatic response to lived experience.

Restore Britain scarcely acknowledges that history. Instead, it assumes that Britain’s current problems arise because government has become too large. That is the central proposition on which everything else in the paper depends. Cut spending. Cut taxes. Reduce regulation. Withdraw the state. And, it claims, prosperity will follow. That is an extraordinarily simple view of how an economy works.

The question in good political economy has never been, “How large should the state be?” The question has always been, “What is the state for?”

Size is a consequence of purpose, not the other way round. A society that wishes to provide universal healthcare, educate every child, invest in science, support disabled people, regulate financial markets, tackle climate change and maintain modern infrastructure will inevitably have a larger public sector than one which chooses not to do those things. The debate is not about percentages of GDP. It is about the society we want to create.

That is why I find the paper so difficult, to the point of being obnoxious. It treats public expenditure almost entirely as a cost. It rarely asks what that expenditure achieves. Teachers, nurses, researchers, engineers, regulators, those building social housing and providing care, as well as all those working for local government officers, are presented as part of the burden that the productive economy must carry. The possibility that they are themselves productive, creating the conditions that allow the private economy to function, is barely mentioned, let alone considered.

This is not, in that case, a paper on economics. It is about ideology. It simply assumes that wealth is created by the private sector and consumed by the public sector, but that is not how modern economies work. Public investment creates private opportunity. Public education creates skilled workers. Public healthcare creates a healthy workforce. Public transport supports and even creates labour markets. Courts enforce contracts. Regulators create confidence. None of these activities is separate from wealth creation. They are integral to it.

There is another weakness that runs throughout the paper. It presents extensive estimates of the immediate savings that would arise from cutting spending and reducing taxes. What it does not do is examine the consequences that follow, and seems unaware that any might do so.

So, if social security is cut by tens of billions of pounds, it does not ask what happens to household demand, nor is there any discussion of multiplier effects.

And if public employment is reduced, there is no consideration of what happens to regional economies, but there should be.

Nor, if taxes are cut, does it ask who spends the gains and who saves them?

And, if growth fails to materialise, it does not ask what happens to the public finances?

These are the questions that political economy asks because economies are systems in which everything interacts with everything else.

In fact, the paper admits that its central claim, that lower taxes and a smaller state will produce significantly faster growth, is not actually included in its costings. It is presented as an expectation. That, though, is a serious omission because the credibility of the whole programme depends upon precisely the second-order effects that I note, and which it ignores.

In the end, then, this report does not present a serious or even costed economic programme. It is, instead, a statement of political philosophy. It tells us that Restore Britain wants to recreate a society in which the state once again plays a much smaller role and markets are expected to resolve many of the problems that governments have accepted responsibility for over the past eighty years.

The questions it never answers are the obvious ones. They are that, if that model worked so well, why did Britain abandon it in the first place? And why, when this model was last tried in the 1930s, did things go so badly wrong?

AI summary of The Wealth of Our Nation

The central claim

Restore Britain argues that the UK’s economic decline is not accidental. It claims it is the result of deliberate political choices that have produced a larger state, higher taxes, more regulation, weaker growth and declining living standards. Its proposed solution is a fundamental shift towards a smaller state, lower taxes, lower public spending, tighter monetary policy and freer markets.

The diagnosis: Britain is in long-term decline

The paper argues that:

* Britain has suffered decades of weak economic growth.
* GDP per head has stagnated.
* Taxation is at its highest share of national income since the late 1940s.
* Public spending has risen sharply.
* National debt has increased to around 100% of GDP.
* Despite much higher spending, public services are widely seen as performing worse.

Its conclusion is:

* Britain has become less competitive.
* Government has become too large.
* Economic performance has steadily deteriorated.

The paper’s explanation

Restore Britain argues that decline has been caused by:

* excessive public spending
* persistent budget deficits
* rising taxation
* expanding regulation
* a growing public sector
* excessive monetary expansion through Quantitative Easing
* what it calls the crowding out of private enterprise.

The authors reject the idea that Britain’s problems are caused by underfunded public services.

Instead they argue that:

* the state has become too large
* spending has become inefficient
* the private sector has been weakened
*

growth has suffered as a result.

Their economic philosophy

The paper promotes a classical free-market approach built around:

* free markets
* private property
* sound money
* fiscal discipline
* low taxation
* limited regulation
* strong property rights
* individual responsibility
* a much smaller state.

It argues that prosperity comes primarily from private enterprise rather than government.

Monetary policy

The Bank of England receives extensive criticism. The paper argues that:

* Bank independence has reduced accountability.
* Quantitative Easing inflated asset prices.
* QE fuelled inflation.
* QE widened intergenerational inequality.
* Money creation should be tightly constrained.

Its proposals include:

* reforming the Bank’s mandate
* tighter control of money supply
* Chancellor approval before future QE
* greater emphasis on monetary aggregates
*

investigating a future commodity-backed currency, including possible links to gold.

Fiscal policy

Fiscal discipline is presented as the centrepiece of the programme. The objectives are:

* balance the budget
* reduce debt relative to GDP
* reverse much of the post-2019 increase in public spending
* shrink the state over time.

The paper estimates spending reductions of around £178 billion by 2031–32 while matching these with large tax reductions.

Public spending

The proposed spending reductions focus on:

* welfare
* public sector pensions
* QUANGOs
* departmental spending
* Net Zero expenditure
* immigration-related spending.

The authors argue that recent increases in expenditure have failed to improve public services and should therefore be reversed.

Tax policy

The tax programme is ambitious. It includes:

* raising personal allowances
* reducing income tax
* reducing corporation tax
* abolishing inheritance tax
* abolishing stamp duty

* abolishing several smaller taxes
* reducing VAT to 18%
* simplifying the tax system.

The paper argues that faster economic growth would eventually increase tax revenues despite lower tax rates.

Welfare reform

One of the largest sections concerns what it calls welfare reform, which I would describe as social security. The proposals include:

* ending the pension triple lock
* aligning public-sector pensions with private-sector arrangements
* freezing working-age benefits
* restricting benefits largely to British citizens
* significant long-term reductions in welfare expenditure.

The paper argues that current welfare spending is unsustainable and discourages work.

Migration

Migration is presented as an economic problem. The authors argue that:

* skilled Britons are leaving.
* lower-skilled immigration has increased.
* immigration increases pressure on housing and public services.
* access to welfare should be tied much more closely to citizenship.

Regulation

The paper argues that regulation has expanded too far. It proposes:

* reviewing most regulation introduced over the past decade
* repealing much existing regulation unless clearly justified
* reducing regulatory burdens on business
* reducing the role of the state in economic life.

The long-term objective

Restore Britain says its aim is not simply to cut spending. It wants to:

* reduce the state's share of GDP to roughly pre-1997 levels
* restore faster economic growth
* strengthen families and communities
* improve competitiveness
* encourage investment
* increase individual economic freedom.

Bottom line

This paper presents a coherent free-market programme built around a clear belief that Britain's economic problems stem from an overgrown state.

Its proposed remedy is equally clear:

* shrink government
* reduce taxes
* cut spending
* tighten monetary policy
* reduce regulation
* expand the private sector
* rely on stronger economic growth to improve prosperity.

I asked ChatGPT to expand some of the economic sections, and this was the result:

Public spending

Public spending is the central target of Restore Britain's programme. The paper argues that government expenditure has expanded far beyond what is economically sustainable and that Britain is now spending close to half of its national income through the state. According to the authors, this expansion has not delivered better public services or stronger economic performance. Instead, they argue that it has produced higher taxes, larger deficits, weaker growth and a shrinking private sector.

The paper repeatedly claims that public services have not been subjected to financial austerity. It points to:

* More than £300 billion of additional public spending since 2019.
* Record levels of taxation.
* Nearly 1.2 million additional public sector employees since before the pandemic.
* Significant increases in health and welfare budgets.
* Departmental spending rising by around 17 per cent in real terms.

Despite this, the authors argue that service quality has generally deteriorated and conclude that Britain has an efficiency problem rather than a funding problem. They therefore reject calls for higher public expenditure and instead propose reducing the size of the state over many years.

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The proposed reductions are extensive and include:

* freezing most departmental budgets for three years
* ending all publicly funded Net Zero spending
* freezing QUANGO budgets before reviewing many for abolition
* reforming public-sector pensions
* restructuring welfare
* reducing public spending by an estimated £178 billion by 2031–32.

The long-term objective is to reduce the state's share of GDP to roughly the level that existed before 1997, while simultaneously improving economic growth through expansion of the private sector.

Welfare (Social Security)

Welfare reform is one of the largest and most detailed sections of the paper and represents the biggest source of projected savings.

Restore Britain argues that welfare spending has become financially unsustainable. Using Office for Budget Responsibility projections, the paper notes that total welfare expenditure is expected to rise from around £315 billion to more than £400 billion within five years, with working-age benefits alone projected to increase from approximately £159 billion to £207 billion. The authors describe this trajectory as unaffordable.

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The paper separates pensions from working-age benefits.

For pensions, it proposes:

* retaining the state pension
* abolishing the triple lock
* uprating pensions solely in line with CPI inflation
* replacing defined-benefit public-sector pension schemes with defined-contribution arrangements similar to those common in the private sector.

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Working-age benefits are treated much more aggressively.

The proposals include:

* freezing all working-age benefits throughout the Parliament
* restricting benefits almost entirely to British citizens
* excluding temporary visa holders and those with Indefinite Leave to Remain from most benefits
* denying benefits to illegal migrants
* estimating long-term savings of £70–80 billion per year once reforms are fully implemented.

Underlying these proposals is the paper's claim that the welfare system has weakened incentives to work and has become unfair to taxpayers. It argues that benefits should become a privilege associated with citizenship rather than a broadly available entitlement. At the same time, it says that those with genuine needs would continue to receive protection.

Tax

Tax policy forms the other half of Restore Britain's economic strategy. The paper argues that Britain's tax system has become too large, too complex and too unpredictable. It maintains that high taxes discourage investment, weaken enterprise and reduce long-term growth.

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Rather than proposing immediate unfunded tax cuts, the authors argue that reductions should be introduced gradually and only alongside equivalent reductions in public expenditure. They therefore present spending cuts and tax cuts as two parts of the same fiscal programme.

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The package includes major reforms across most of the tax system.

For personal taxation it proposes:

* increasing the personal allowance to £16,000
* extending the basic-rate income tax band to £100,000
* restoring the full personal allowance for all taxpayers.

For business taxation it proposes:

* a zero corporation tax rate on the first £50,000 of profits
* restoring the main corporation tax rate to 19 per cent
* eventually reducing that rate further to 15 per cent
* abolishing a number of sector-specific business levies.

It also proposes abolishing or reducing several existing taxes, including:

* inheritance tax
* stamp duty
* insurance premium tax
* air passenger duty
* the emissions trading scheme
* the climate change levy
* substantially increasing the capital gains tax allowance
* reducing VAT from 20 per cent to 18 per cent
* increasing the VAT registration threshold to £150,000.

Overall, Restore Britain estimates that these tax reductions would total approximately £155–156 billion over a Parliament.

The authors argue that stronger economic growth generated by lower taxes, lighter regulation and increased private-sector investment would eventually expand the tax base sufficiently to improve public finances despite lower tax rates. They explicitly state that this anticipated increase in growth is not included in their fiscal calculations, presenting it instead as an additional potential benefit of the programme.