

Labour Affairs

Incorporating the Labour and Trade Union Review

No. 332 - October 2022

Price £2.00 (€ 3.00)

Animal Spirits, Taxing and Borrowing

Kwasi Kwarteng is clearly a believer in animal spirits, or more specifically, the animal spirits of the UK private sector. The term 'animal spirits' was used by the economist J. M. Keynes to describe the spontaneous forces of vitality that drive human action. Apparently these animal spirits have been held back by too much taxing and spending by the UK government. And that, according to Kwarteng and Truss, is the explanation for Britain's low growth.

Kwarteng proposes to fix the UK's problem of low growth by 1) abandoning Sunak's planned increase in corporation tax, 2) abandoning Sunak's planned 1.5% increase in National Insurance, 3) ending the cap on bonuses in the city. The original plan to abolish the 45% tax rate on high earners has been abandoned as we go to press.

Kwarteng will also remove those regulations that he feels are restraining the animal spirits of the private sector. Incentivised by lower taxes and less regulation, the UK private sector, according to Kwarteng, will resolve the problem of low growth that has bedevilled the UK economy for the last 15 years.

It's a somewhat bizarre belief. In the 1980s Thatcher also decided to give the private sector its head by selling off the nationalised industries. Energy, transport, water, communications were sold off to the private sector. Local government was blocked from providing social housing. The results have been spectacularly unimpressive. Yet Kwarteng wants to once again increase our

dependency on the private sector.

An interesting feature of the fiscal statement is the absence of concern about the size of the national debt. The national debt is just the cumulative difference between government spending and taxes levied. Clearly it will go up under Kwarteng, since Sunak's tax increases have been abandoned but no equivalent spending cuts were announced. Rather, there are large increases in spending to help households pay their energy bills.

Kwarteng had little to say about the increase in national debt implied by his fiscal statement. This apparently spooked the markets because his fiscal statement implied massive borrowing from the private sector that could only be achieved if the government paid much higher interest rates. Indeed, the suggestion was made that the private funds might not be available. The markets therefore may not believe the 'animal spirits' story, fearing instead further degeneration in Britain's productive capacity.

This understanding of the mechanics of financing UK government spending is quite wrong. The UK is a currency creating state. Once expenditure has been approved by Parliament, the Bank of England (BoE) is legally required to make any payments implied by that expenditure decision. The BoE simply creates money to finance expenditure approved by Parliament. Government spending is always financed in the same way, through the creation of money. Kwarteng does not have to borrow from

the private sector to get the funds that he needs to finance his spending plans.

However, by tradition, an institution called the Debt Management Office (DMO) auctions bonds, the value of which broadly matches the difference between what a government spends and what it levies in taxes. Bonds are auctioned quite frequently, often weekly.

As an example, the DMO auctioned a bond for £3 billion on 11th January. So, an investor could buy a piece of paper that promised to give him £100 in 4 years' time. And each year he would additionally be paid interest on his investment at the rate of 3/8% [about .37%]. That's 37.5 pence per annum. What should an investor pay for this bit of paper? There is no risk that the bond will not be repaid since the UK government can simply create the money to repay the bond. However, there is the danger than inflation may reduce the buying power of a £. In the auction on 11th January investors, were only prepared to pay £95 for this piece of paper. So their effective rate of interest, called the yield, was 0.988%.

That was on 11th January. By 6th September, as concerns about inflation grew, the yield on a similar UK government bond had increased from 0.988% to 3.18%. That's quite nice if you have money that you don't need to spend.

The existence of the Debt Management Office (DMO), created by prudent Gordon Brown to prove he could be trusted by the rich, is a problem. It auctions bonds and accepts

bids that mean that the interest paid (yield) on those bonds is high. The best solution would be that the DMO did not issue bonds. Alternatively, the DMO should put a reserve price on any bonds that it issues. If the market does not want them at that reserve price, then the government should instruct the BoE to buy the bonds, as they did during Covid. For the curious, a full list of gilt auctions can be found here: <https://www.dmo.gov.uk/data/pdfdatareport?reportCode=D2.1PROF7>.

This is how Furlough was financed during Covid. The BoE created the required money. The DMO issued bonds for a similar amount. The BoE bought these bonds. If this is how Kwarteng wants his deficit to be financed, he will have to remind the governor of the Bank of England, Andrew Bailey, that the BoE is wholly owned by the Treasury. It will be interesting to see how the relationship between the BoE and the government develops. If Kwarteng is unable to assert the dominance of the government in this relationship he will fail.

There is also the question of the Office for Budget Responsibility (OBR). The OBR was created by George Osborne who based his entire chancellorship on reducing the size of the national debt. As a result, Osborne's austerity program created one of the lowest rates of recovery from the 2008 Global Financial Crisis and was a main factor in the vote for Brexit. The purpose of the OBR was to independently determine the

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Contents

No. 332 - October 2022 ISSN 2050-6031
ISSN 0953-3494

| | |
|--|----|
| Editorial - Animal Spirits, Taxing and Borrowing | 1 |
| HOGS | |
| Poem by Wilson John Haire | 3 |
| The Labour Conference and the Party under Blair and Starmer By Eamon Dyas | 4 |
| Unleash the animal spirits! The Truss Kwarteng philosophy By Feargus O Raghallaigh | 7 |
| Notes on the News by Gwydion M. Williams | 8 |
| Electricity and Gas in France and Great Britain By Froggy | 13 |
| The Cost of Rail Privatisation By Pete Whitelegg | 16 |
| Text of the mini-budget from Kwasi Kwarteng | 17 |
| House of Commons Debate on Energy | 21 |
| Ukraine's Borders By Eamon Dyas | 24 |

Labour Affairs

Published by the Ernest Bevin Society
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Websites: <http://labouraffairsmagazine.com/>
and <https://labouraffairs.com/>

Subscription: £20 for one year (10 issues)

Distribution: Dave Fennell
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Green Lanes, London N16 9BT
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effect of government budgets on the size of the national debt.

Unlike Osborne, Kwarteng showed little concern in the effect of his growth plan on the size of the national debt. He is quite right to take this position. Since the UK is a currency creating state and not, therefore, financially constrained, his only concern should be with the effect of government spending and taxation on the welfare of the UK's citizens. If high spending or low taxation increases that welfare then he should not concern himself with the effect it has on the size of the national debt. Kwarteng's behaviour suggests he believes that the size of the national debt is very much a secondary consideration. But it is highly unlikely that he would be prepared to publicly state it.

Kwarteng is quite right that it is the effect of fiscal policy rather than the size of the national debt that matters. However, when his attempt to achieve higher economic growth by releasing the animal spirits of the private sector through lower taxation fails, as it most likely will, Tory attention will, inevitably, return to the size of the national debt. Taxes will have to be raised or government expenditure will have to be cut. For a Tory administration, the preferred route will be to cut expenditure. The ultimate result of this budget may well be further cuts to government benefits and services.

At which point, Labour's preoccupation with 'fiscal rules' and the size of the national debt because of its desire to appear fiscally responsible will fail the working class. Labour need to realise that

the question of importance is whether government spending and taxation is good for the society. The size of the national debt should not enter into that consideration. Labour Affairs has argued that spending should be directed towards improving localities, focussing on transport, education and skills, the environment and social peace. Labour should also consider investing directly in businesses that have promise. Capitalist investment is more likely to appear if the candidate locality is attractive with a motivated, contented, skilled and well-educated population, who can easily travel to their places of work.

If the environment is attractive, managers and their families will be happy to relocate there. Their 'animal spirits' are more likely to be aroused by such a policy and the same goes for the workforce.

At the moment, Labour by concentrating on a household view of national finance, has fallen into a trap. They cannot say how they will pay for any proposal without increasing the national debt. But that leaves them with little or no room to make any proposals that might restart growth in Britain's regions. Their best hope is that the electorate do not notice the feebleness of their position.

HOGS

Old Mother Truss and Kwasi Kwarteng

cleared the cupboard with hardly a pang
while dog Britain has to boil bones for soup
as those very rich let out a great whoop.
Soon it's war for breakfast lunch and dinner
juggling H-bombs makes you a lot thinner.
Now this tail can hardly wag the dog.
all goes knight-led instead of stick-the-hog.

Wilson John Haire. 1st October, 2022.

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<https://labouraffairsmagazine.com/very-old-issues-images/>

Or by subject at <https://labouraffairsmagazine.com/very-old-issues-images/m-articles-by-topic/>

The Labour Conference and the Party under Blair and Starmer

By Eamon Dyas

What can we take from the Labour Party Conference at Liverpool? Keir Starmer acknowledged the importance of trade unions several times in the course of his speech and he indicated that he understood the relevance of proper training schemes and apprenticeships for any future economic prosperity; he also raised the prospect of the formation of a publicly-owned British Energy Company at some point in the future. Rachel Reeves, the Shadow Chancellor, committed the Party to funding the training of enough district nurses to double the number of those qualifying every year. On top of that there was to be training for an additional 5,000 health visitors and 10,000 more nurses and midwives each year. Then there was Louise Haigh, the Shadow Transport Secretary, committing the Party to taking the railways back into public ownership.

There is nothing among those commitments that we can argue with. But if we look deeper into these commitments there is just too much woolliness about them to insulate them from the suspicion of insincerity. Starmer may have acknowledged the importance of trade unions but this sits uneasily with his attitude to the transport workers' picket lines just a few weeks ago – a specific example of the importance of trade unions that he failed to mention in his speech. Likewise, his acknowledgement of the importance of training and apprenticeships did not lead to any specific proposals by which such training and apprenticeships could be made a reality. The closest he came was through his idea for a publicly-owned British Energy Company which would become the motor force that would propel British manufacturing companies in directions where such things would somehow be generated. But then again, his commitment to a publicly-owned British Energy Company – something that will only see the light of day several years into the future

- sits uneasily with his apparent reluctance to take the energy-provision companies back into public ownership in the here and now.

Then there was Rachel Reeves' commitment to the training of double the number of district nurses, 5,000 additional health visitors and 10,000 more nurses and midwives each year. The funding for this, she announced, would come from the re-imposition of the top rate of income tax that had been removed by the current Tory leadership. I'm not sure if the revenue thus saved would be enough to pay for such things as presumably, prior to its abolition it was used to fund other State responsibilities which would suffer as a result of it no longer being used for such purposes. But whatever, let's agree that it could provide sufficient funds for this level of health service training. But training, unless it equates with those trained subsequently being employed by the NHS, will be of no advantage to those who rely on the NHS. One would have expected that this aspect of the equation would then have been explained by the Shadow Chancellor as well as some account of how such additional NHS employment would be funded. Yet this was not explained, and to be fair she didn't actually commit to any policy that saw these additional trained health service staff automatically being employed by the NHS. Presumably many, if not most, of them would find their way into the private health services and health employment agencies that currently cost the NHS an arm and a leg to pay for in order to fill the gaps in NHS services!

Still on the question of the NHS we looked in vain for Starmer to offer a solution to the NHS provision crisis – and one that is bound to get worse during the winter. When he did mention it, it was to emphasise that he didn't believe its problems could be overcome by throwing money at it or by subjecting the organisation to another overhaul. Starmer set the section of his speech dealing with the

NHS in the context that "Prevention is better than Cure". He went on to imply that many of the problems experienced by the NHS could be solved by the use of technology and recounted a story of having seen how robots can be used to assist in improving the efficiency of surgical practices thereby avoiding the ongoing complications that currently mean that many surgical patients spend longer occupying hospital beds than would otherwise be the case. His reasoning was that the more extensive use of technology could free up thousands of NHS beds each year. There's nothing wrong with seeking an alleviation of the NHS crisis by investigating the prospects offered by the increased use of technology. But we don't have to look to new technologies to find solutions. There is another more established technological option closer to home - and one I have personal experience of - which would ensure a more timely medical intervention in ways that avoid unnecessarily long stays in hospital. That option is to invest in sufficient numbers of CT and MRI scanners for the NHS to ensure that patients are either not compelled to wait months for screening or the NHS is compelled to fork out the costs of paying private hospitals for their use. However, an immediate technical option of this sort would involve an initial monetary investment in both machines and the specialist personnel who operate them – something that Starmer seems reluctant to commit to. Just an addendum before I leave this subject. There is the challenge of formulating a policy on how, in government, it would pay for a proper social care system. Unless I missed it, this was another issue that was not properly addressed, despite the problems of an aging population being acknowledged.

Regarding another announcement at Conference which raised extensive applause: the commitment from Louise Haigh that a future Labour Government would take back the

railways into public control. Again, this is something that we can all agree on. However - and unfortunately a lot of “however” and “but” arise from the front bench speeches to Conference – this commitment was low on specifics. For instance, significant parts of the rail network are already in public hands. The stations and the track remain under public control. It is the rolling stock consisting of the passenger carriages and locomotives that constitute the most important part of the rail system which remains under private control. But even the publicly owned track system and the rail stations are compromised by private involvement. The arches upon which the tracks are laid are owned by private companies who rent them out to small businesses and some of the main railway stations in London and other major cities were redeveloped with private capital in ways which ensured that the areas of these stations could be used as shopping malls for which rent could be extracted from retailers – in much the same way that the areas of airports are used. So, when Louise Haigh says that Labour is committed to taking the railways back into public ownership what is it that she intends to take back?

The role of the State - a core consideration in the construction of policy

The reason why there is so much confusion and uncertainty with regards to what Labour currently stands for is the question on how it would use State power while in government.

Commenting on the start of the Labour Party Conference, the *Daily Telegraph*, ran an article in its issue of 26 September which carried the headline:

“Blair won a landslide because he offered an alternative and engaging vision. Keir Starmer does not: Just not being the other lot may be enough to win an election after fourteen years. But it’s not enough to shift the weather.”

Of course, the *Daily Telegraph* comes at this issue from a completely different perspective but it does highlight the importance of a sense of

vision for any political party seeking to take up the reins of government. It is this question of vision that remains the outstanding absence from what Starmer has brought to his leadership. It appears, from what has happened up to now, that his election strategy has been based around a minimalist approach to policy which makes it difficult to identify the existence of any particular vision that he might hope to present to the electorate. Given the chaos in the Tory Party it may be that this will prove enough to get him into Number 10 but the manner in which he is being handed the keys to Number 10 by the Tories has also tended to obviate the responsibility of the Labour membership to ensure that he goes into the next election with policies that can alter the economic basis from which so much of our social ills emanate. In that sense he is being given a clear run by both the government and his own membership. But there are many within the Party that would prefer to see Starmer going into that election held to policies that are both radical and in harmony with both its traditional vision and, as has been said earlier, with the prevailing political zeitgeist. However, the manner in which this component in the party has been treated does not bode well for the prospect of any Labour Government under his leadership raising above the role of just being a less awful alternative to the Tories.

The “do nothing, be nothing, say nothing” performance of the party leadership over the past year has not only depended on keeping the electorate in the dark regarding a future Labour Government’s approach to society’s growing problems but also to impose a blanket of strict silence on the party’s own membership lest that membership generates a momentum that compels the leadership to commit the party in government to something of real significance. This has resulted in a party where it has become necessary to impose unprecedented levels of censorship and exclusion in order that it comply with the “no policy, no controversy” formula for the hoped-for success bequeathed by the turmoil in the Tory Party.

It was widely reported that Starmer was to quote Blair in his speech to Conference. If so - though I didn’t notice it myself - it would have served to reinforce the view on much of the Left that he is simply a Blair Mark 2. But this is to completely misread the significance of Starmer. Blair was of a different time and the party in a different place for any comparison between him and Starmer to have any actual meaning. Nor does such an equation provide any real insights into what the party has become under its current leader.

It can justifiably be claimed that Blair’s influence on the party has proven toxic to its core sense of purpose. However, that toxicity wasn’t something that was intrinsic to Blair’s desire to adapt the party to the realities of post-Thatcher Britain and nor did it impose an inevitability on what came after. The eighteen years of Thatcher government from 1979 to 1997 represented a transition from a Britain which at the outset still retained a strong industrial base (albeit one that had already been experiencing steady decline due to failures of investment) and a strong and influential trade union movement.

The very real changes brought about by Thatcher’s policies stripped the State of most of its previous roles in the economy and made British society and its well-being more reliant on the market. Those changes also succeeded in removing a meaningful and influential trade union movement from its previous position in society. These were no mean achievements and they made it incumbent on the Labour Party to adapt to the society that these changes had brought about. It was Tony Blair that gave expression to the tendency in the Labour Party which recognised the need for change and the Left, unable to see the significance of what Britain had become as a result of Thatcher, was late to the task of providing any alternative that might have countered this.

What Tony Blair presented to the electorate as New Labour in 1997 was itself not necessarily something that would go on to prove toxic to Labour’s traditional vision. The Labour Party had always had to

confront changing realities. It could not have survived the seismic social upheavals of two world wars without proving that it had the capacity to adapt to those changed realities. But adapting to a changed reality had never, in the past, committed the Party to abandon its core purpose in desiring to change that reality. Indeed, Blair's ambition to change the Party to adapt to the new post-Thatcher reality need not in itself have proved so lethal to that core purpose. There is no reason to believe that if the 1997 Labour Government had, in time, gone on to initiate policies which sought to counter that post-Thatcher reality the Party would have been permanently knocked off course. What proved fatal to the Party was Blairism - an outlook that evolved within the Party on the basis of a belief that the Thatcherite reality represented something immovable and permanent. Once that outlook became established the idea that the Party should have an alternative vision based on its traditional values became increasingly problematic.

But none of this should blind us to the fact that the Thatcherite reality was always going to present a far more challenging one for the Party than anything it had to confront in the past. The post-Thatcher reality had stripped society of the two most significant components that had traditionally given the Labour Party its sense of purpose - manufacturing industry and a strong trade union movement. In such circumstances, what was required was a vision which had the capacity, not to endorse the Thatcher reality, but to confront it. It is one thing to accept the need to adapt to a reality with the purpose of changing it but quite another to abandon any ambition to change it and thereby endorse it. The route offered up by Blairism was to endorse that reality and ever since, with the exception of the ill-fated Corbyn years, that has been the tendency in the Party which has come to dominate it.

When Blair embarked on the task of adapting the Party to the changed post-Thatcher world he was dealing with an organisation whose central purpose had always recognised the need to formulate and implement

policies around a vision that sought to change society for the better. This meant policies that provided for increased workers' rights and the amelioration of the plight of the under-privileged through State intervention. Such had always been the guiding light of the party. When Blair became Prime Minister in 1997 the working class was a much diminished and less-organised section of society and the role of the State had been pushed back from areas where it had previously - mostly under Labour's efforts - been given a central role in the service of the working class and the protection of the less fortunate. Under Labour's influence the State had been put to active use in everything from housing provision to medical care as well as providing basic services like transport, energy and water as well as in the management, or supply of, many ancillary services. All this was done in the belief that, leaving such basic provisions to the market could only operate to the detriment of the more vulnerable sections of society but also, in the long run, prove damaging to the health of the economy.

Nonetheless, and notwithstanding Blair's determination to make Labour relevant in a market-friendly political environment, the constituency of members within the party who continued to adhere to the traditional purpose of the party remained committed to that vision in the course of Blair's repurposing of it. Many members did of course become disillusioned by Blair's policies and the way in which Blairism went on to strip the party of any ambition to make effective social changes, but there was no concerted campaign to outlaw them. Debate within the party continued to accommodate those who were critical of Blairism. This, together with the change in the leadership electoral rules instituted in 2014 proved to be important components in the election to the leadership of Jeremy Corbyn in 2015. Unfortunately, a coalition of Blairites, right-leaning elements, and EU remainers within the PLP and in Labour Party head office, together with an unprecedented establishment media campaign, sabotaged the

Corbyn leadership and left the way open for Keir Starmer to assume the leadership in 2020. Beginning his leadership with a pledge to honour the Labour Party programme of State intervention that had been endorsed by Conference before his election, Starmer subsequently betrayed that pledge in favour of a "no-policy" policy and a refusal to accommodate the prospect of State intervention. But not only that. He has overseen a wholesale purge of dissidents and the intimidation of those who might have a different view on the role of the State in the solving of society's problems.

Unlike Blair, Starmer in 2022 is not confronted with an electorate that had been convinced of the superiority of the market - a factor that was used to justify Labour's market friendly policies at the time of the 1997 general election. In fact, quite the opposite, the Thatcherite free market experiments in all the critical areas of social existence have been well and truly discredited many years since - one of the reasons why Corbyn's performance in the 2017 general election (before his leadership had been effectively sabotaged) was so successful.

From the perspective of a future Labour Party in power, the thing that makes Starmer's leadership so different from Blair, is the simple fact that while Blair's New Labour confronted a political landscape where the free-market retained the widespread faith of the electorate - a factor that might make his policies more understandable at least in the short-term - Keir Starmer has no such excuse. Poll after poll continues to reveal a disenchantment of the electorate with the free market policies that had their genesis with Thatcher. Similarly, unlike Blair, where by 1997, a significant section of the general membership acknowledged the need for the Party to accommodate the new post-Thatcher reality, the general membership that Starmer inherited from Corbyn was one that possessed no such significant component and where most of the initiative was in favour of a reversal of the Thatcher programme that had subsequently been endorsed by Blair. And yet

Starmer prevaricates in ways that reveals a determination to maintain the supremacy of the market in spite of the changed sentiment inside the Party and among the electorate.

To all intents and purpose, Starmer's professionally choreographed performance at Conference got us no further in revealing what it is he actually stands for. It was big on sentiment and slogans but, beyond those explained earlier, it provided no real specifics on what a Labour Party under his leadership would do in government.

Understanding the role of the State is central to any sense of political vision. All Labour governments throughout the twentieth century understood this and under such governments the State became a major influence on how ordinary people lived their lives. From their health to housing and including vast swathes of the economy it was the State that underpinned their life and protected them against the worst vagaries of the market. It is only if the State is allocated a central role in how ordinary people experience the

world that any coherent vision can be constructed to serve that purpose.

Understanding the role of the State was also something that Margaret Thatcher did. But rather than see it as a potentially positive force she saw it as a negative force that held back the creativity of the market. Consequently, the policies she constructed around her political vision were designed to reduce its influence on society by rolling it back from the position which it had increasingly occupied since 1945. She did this from a genuine belief that the market, once freed from the constraints placed upon it by the State, would blossom forth and provide the impetus for a wider prosperity. But while it is undoubtedly the case that her policies did bring greater prosperity to some it did so at the cost of an increasing wealth disparity in society and an inbuilt insecurity that inevitably results from the chaotic and erratic nature of the market.

Given the prevailing sentiment both within and outside the Party, Keir Starmer's reluctance to commit to any policies which could betray

an expanding role for the State at the expense of the market cannot be understood in terms other than a personal antipathy to such things. The only places he can bring himself to utilise it is in the areas where the market is itself reluctant to commit sufficient investment to it – like his Great Britain Energy company.

After the Liverpool Conference, as before, the issue for Labour remains one in which it is under a leadership that refuses to develop policies that are in keeping with its traditional vision at a time when the political atmosphere is favourable towards policies that are consistent with that vision. Instead, the indications are that the leadership is leaning towards a determined retention of the existing low-participatory role of the State in the economy. Such a prospect can offer nothing for those who might seek to see a Labour Government undertaking real changes in how society functions in ways that offer more to the working class and the underprivileged.

Unleash the animal spirits! The Truss Kwarteng philosophy

By Feargus O Raghallaigh

It seems to me that many people do not quite get what Truss and Kwarteng are up to, which is attempting to give political and policy expression in government and in power to a religious belief or a religio-economic belief in effect. The core of this belief system is what is known as the Laffer curve - it dates from the 1970s and is named after the economist Arthur Laffer, who by the way also claimed that he did not invent the idea, that it was very old as a concept and went back to Islamic philosophy.

The idea is simple; it says at its most simple, a government can cut tax rates and tax revenues will grow rather than shrink. You can hike taxes and people will work harder (or go into the 'black') and the effect is that productivity falls (people sweat their guts out in order to simply stand still). Cut taxes and people will up their game, productivity rises, people work smarter and growth happens ... and so on.

Here is a link to a paper by an advocate of the Laffer proposition, by an advocate who was one of the original proponents of the idea. <https://www.nationalaffairs.com/storage/app/uploads/public/58e1a4/c54/58e1a4c549207669125935.pdf>.

Here is a link to a magic cinematic moment (one of my favourites) - the economics lecturer explaining the concept and its background to a US high school class ... https://www.youtube.com/watch?v=X_wHBlouFSc

The point of this is simple: Truss and Kwarteng are true believers in this theory as they see it and understand it, not simply of economics but of society — except that they misunderstand it entirely. They also disbelieve in institutionalism and institutional economics (another story).

The British economy is at virtual full employment statistically and yet it is stuck in a rut. People are working too hard or not at all or are in the black or a bit of everything. They are, on the T-K view, striving (unsuccessfully) to cope with an excessive tax burden, including through engaging in anti-social practices: the black economy, drug pushing, petty crime of all kinds and so on (not to mention living off a welfare state driven by wokism and so on). Cut taxes and spending and welfare and a new buccaneer spirit will be unleashed on the world.

Notes on the News

By Gwydion M. Williams

Trickle-Down – a Swindle

Who Needs the Multi-millionaires?

The World Shanghaied?

Russo-Ukrainians Forbidden Democracy?

Sweden and Italy, Overstrained Communities

Italy, Also Overstrained

Two Nice People, Unfit For Their Jobs

Snippets

More Tory Failures

Turkish Inequality

Trickle-Down – a Swindle

President Biden recently denounced Trickle-Down.¹ Then Liz Truss affirmed the idea: tax cutting and deregulation as the secret of wealth.

Cutting taxes for the very rich was just too blatant. But other feed-the-rich policies remain in place.

And none of the legions of well-paid journalists and economists have looked at how the steady growth in Western wealth from the 1950s was actually altered by such policies.

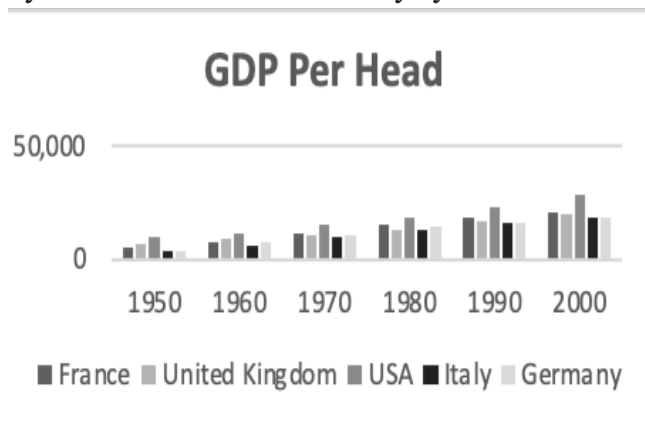
You can find this from a 2004 reference work by the late Angus Maddison: *The World Economy: Historical Statistics*. It is generally accepted as the best estimate. And as far as I know, no one else has tried to see the big picture.

Perhaps because the big picture is unwelcome.

¹ <https://www.theguardian.com/us-news/2022/sep/05/joe-biden-labor-day-speech-wisconsin-unions>

I've shown elsewhere that Mao's China grew faster than either Britain or the USA.² None of Mao's critics offer alternative figures: they simply ignore the off-message facts. Concentrate on three years of losses, and ignore 20 more of substantial gains.

For Western Europe, there was *no clear gain* from the pro-business and pro-rich policies of Thatcher and Reagan. Pure capitalism would probably have lost the Cold War for the West. It was the Keynesian or Mixed Economy system that won.³



And it was only when the Soviet system lost strength and popularity in the 1970s that the rich started demanding more.

Britain and the USA were being overtaken by their NATO allies. These now show every sign of having been damaged by the 1980s changes.

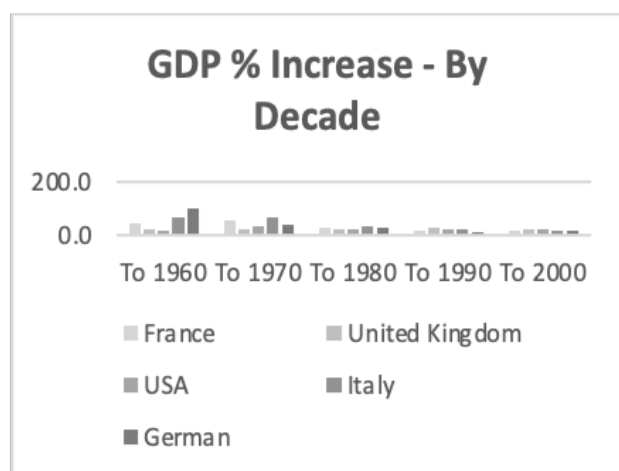
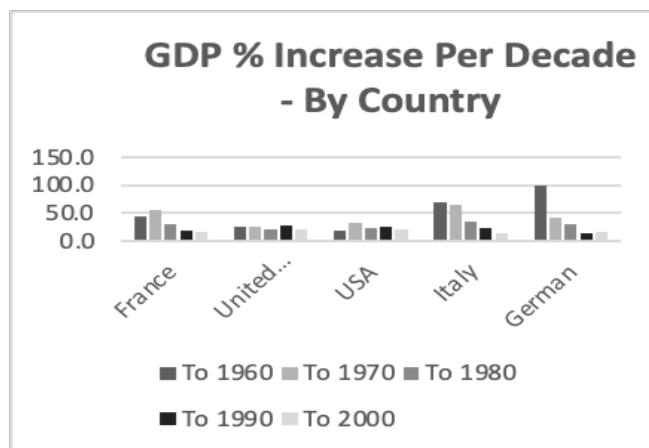
This becomes even clearer if you look at the percentage gain each decade:

² <https://labouraffairsmagazine.com/recent-issues/2019-11-magazine/2019-11/>

³ <https://labouraffairsmagazine.com/problems-magazine-past-issues/the-mixed-economy-won-the-cold-war/>

| GDP Per Head | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 |
|----------------|-------|--------|--------|--------|--------|--------|
| France | 5,271 | 7,546 | 11,664 | 15,183 | 18,093 | 20,808 |
| United Kingdom | 6,939 | 8,645 | 10,767 | 12,931 | 16,430 | 19,817 |
| USA | 9,561 | 11,328 | 15,030 | 18,577 | 23,201 | 28,129 |
| Italy | 3,502 | 5,916 | 9,719 | 13,149 | 16,313 | 18,740 |
| Germany | 3,881 | 7,705 | 10,839 | 14,114 | 15,929 | 18,596 |

| GDP % Increase Per Decade | To 1960 | To 1970 | To 1980 | To 1990 | To 2000 |
|---------------------------|---------|---------|---------|---------|---------|
| France | 43.2 | 54.6 | 30.2 | 19.2 | 15.0 |
| United Kingdom | 24.6 | 24.5 | 20.1 | 27.1 | 20.6 |
| USA | 18.5 | 32.7 | 23.6 | 24.9 | 21.2 |
| Italy | 68.9 | 64.3 | 35.3 | 24.1 | 14.9 |
| Germany | 98.5 | 40.7 | 30.2 | 12.9 | 16.7 |



It's a picture of declining vigour. And overall, Britain and the USA got no advantage beyond the selfish one of no longer being overtaken by their nearest neighbours.

And since inequality got worse, 90% of the population got less than they might have expected if the Keynesian system been repaired rather than attacked.

The Next Nine – people in the richest 10% but not the richest 1% – have not gained or lost much.

But the richest 1%, the more-than-millionaire class who now dominate, have gained enormously.

For them, it has been an economic miracle. But not for anyone else. For the majority, it has been an economic blight.

It would also be nice to know in detail how things have gone since 2001, when Maddison's work stops. Quite badly, I suspect, with the crisis of 2008. Our newly militant Trade Unions should be funding a

study.

Who Needs the Multi-millionaires?

Money not spent by public services does not go to 'the people'. Most of it goes to a few rich people: the more-than-millionaire elite.

Tax cuts are usually rigged to favour the rich. But the latest changes are unusually gross:

"A budget for the 1%: government accused of huge tax cut for super-wealthy..."

"The combined package of measures announced in the mini-budget means that someone who currently makes £1m will gain £55,220 a year, while someone earning £20,000 will be just £157 better off, according to calculations by the Resolution Foundation."⁴

Human society is an immensely complex system of interactions. But it could manage fine, if some alien super-science removed every single millionaire.

And if those multi-millionaires were given their own planet, with existing buildings and machines but no one to employ, they'd suffer a drastic decline in life-style.

Someone should use the idea for a television SF series, set in today's Britain.

When humans began to settle down and plant crops, they found that they needed chieftains to run a society in which most people didn't know each other. But mostly chieftains take too much.

The Leninist alternative of 'everyone a worker' did better than most people now realise. Both Stalin and Mao made their societies a lot richer, contrary to what current 'experts' imply, but never dare say as a direct falsehood.⁵ And it's a sad fact that those growing up in such a system will often grab 'chieftain' privileges for themselves.

It is bad everywhere, but Britain is now particularly bad:

"In a book in 2012 called *Britannia Unchained*, five Conservative MPs revived the argument. 'Once they enter the workplace, the British are among the worst idlers in the world,' the book says. 'We work among the lowest hours, we retire early and our productivity is poor. Whereas Indian children aspire to be doctors

⁴ <https://www.theguardian.com/uk-news/2022/sep/23/mini-budget-government-accused-huge-tax-cut-for-super-wealthy>

⁵ <https://labouraffairsmagazine.com/recent-issues/2019-11-magazine/2019-11/>

or businessmen, the British are more interested in football and pop music.'

"Given that two of the book's authors, Liz Truss and Kwasi Kwarteng, are now the country's prime minister and chancellor respectively, it is worth revisiting this characterisation of the workforce."⁶

Since the article is from the *Financial Times*, which exists to tell unwelcome truths to rich business people, it is soft about showing that the claim was untrue. But I showed earlier that the British economy did no better with Thatcherism than it had before. It could seem otherwise, because the rest of Western Europe was not advancing as it once had. There were no positive results for the economy as a whole.

Surprisingly, another *Financial Times* article did explain how bad inequality had got:

"For Norway, it's a consistently rosy picture. The top 10 per cent rank second for living standards among the top deciles in all countries; the median Norwegian household ranks second among all national averages, and all the way down at the other end, Norway's poorest 5 per cent are the most prosperous bottom 5 per cent in the world. Norway is a good place to live, whether you are rich or poor.

"Britain is a different story. While the top earners rank fifth, the average household ranks 12th and the poorest 5 per cent rank 15th. Far from simply losing touch with their western European peers, last year the lowest-earning bracket of British households had a standard of living that was 20 per cent weaker than their counterparts in Slovenia...

"In 2007, the average UK household was 8 per cent worse off than its peers in north-western Europe, but the deficit has since ballooned to a record 20 per cent."⁷

The World Shanghaied?

China is the main threat to the hegemony of the elite leaders of

Greater Western Europe / USA. The greedy fools thought they could rule the world after the Soviet collapse. And cheated their own people, as I detailed earlier.

Ordinary Britons and other Europeans should not be worried that a body called the Shanghai Cooperation Council grows in importance, as a counter to the NATO / G7 alignment.

And now Turkey may join:

"Turkish Prime Minister Recep Tayyip Erdoğan has stated that he has discussed the possibility of abandoning Turkey's candidacy of accession to the European Union in return for full membership in the Shanghai Cooperation Organisation."⁸

They have been kept waiting as candidates for the European Union since 1999, while other countries get admitted. Countries that are Christian, and classed as white by racists. I wish it were otherwise,⁹ but the chances that existed in the 1970s are gone.

This new loose association may be the world's best hope.

Current members are China, India, Kazakhstan, Kyrgyzstan, Pakistan, Russia, Tajikistan, and Uzbekistan. Iran and Belarus are about to join.

Dialogue partners are Armenia, Azerbaijan, Cambodia, Egypt, Nepal, Qatar, Saudi Arabia, Sri Lanka, and Turkey Bahrain, Kuwait, Maldives, Myanmar, and UAE are about to join them.

Roughly the same as the countries who want the war in Ukraine to end with a compromise.

Russo-Ukrainians Forbidden Democracy?

The Soviet Union was always worried about losing Ukraine. So they attached regions that would have probably gone to Russia, if West Ukraine had got independence.

I've explained in a recent blog that the USA has spent years encouraging

extreme Ukrainian nationalism. A minority who look back with pride at men who spent parts of the war in alliance with Nazi Germany.¹⁰ Which was certain to alienate those who felt both Russian and Ukrainian.

Democratic Secession is the issue. Few countries like it as a general principle. Which gets reported as Russia's global supporters turning away:

"Signs that some countries willing to tolerate Russia's invasion of Ukraine are losing patience have emerged as Turkey, India and China responded coolly to the announcement that four Ukrainian regions occupied by Russia were planning referendums on joining the Russian Federation.

"Turkey, which has been at the centre of mediation between the west and Russia, issued a sharp rebuke, saying in a statement that it was concerned by attempts to stage unilateral referendums."¹¹

Turkey, India, and China all have minorities which include militant movements that seek independence. And all have been accused of using torture to help suppress them, as indeed have almost all states facing violent separatists or rebels. I see it as a single dismal pattern, even though the Western media are selective in what they want to make the public shocked about. And the USA's continuing use of torture makes it unlikely anyone else will drop it.

For Ukraine, confusion is being spread about the planned secession votes. It is implied that these won't be honest votes. But also that they would be illegal regardless, which is not in fact a part of International Law.

Secession has always been left ambiguous. Mostly settled by violence.

Both the USA and the Republic of Ireland used violence to force the British Empire to let them go. Does that cease to be relevant, because it was a long time ago?

⁶ <https://www.ft.com/content/65548d1a-42b7-497b-8ef3-20288704450b> (pay site)

⁷ <https://www.ft.com/content/ef265420-45e8-497b-b308-c951baa68945> (pay site)

⁸ https://en.wikipedia.org/wiki/Shanghai_Cooperation_Organisation

⁹ <https://labouraffairsmagazine.com/problems-magazine-past-issues/post-liberalism/being-an-aboriginal-european/>

¹⁰ <https://mrgwydionmwilliams.quora.com/The-End-of-Ex-Soviet-Ukraine>

¹¹ <https://www.theguardian.com/world/2022/sep/22/patience-with-putin-may-be-ebbing-among-friendlier-countries>

India sent in its army to allow East Pakistan to become Bangladesh. But has laws against even peaceful calls for secession from its own territory. Holds half of Kashmir, and recently reduced its existing autonomy.

The USA crushed its own secession. Slavery provoked the crisis, but the seceding states might have kept slavery if they'd been conquered sooner. Lincoln waited till other methods failed before denouncing slavery and allowing African-Americans to join the fight.¹²

There are no fixed principles that get honoured in practice.

For Ukraine, just occasionally you find it admitted that many people born in the south and east now wish to separate:

"Ever since 2014, when Russia-backed separatists took control of Donetsk, one of the biggest cities in Ukraine, and declared it the 'Donetsk People's Republic,' talk of joining Russia has come in waves. Many residents have left, but those who didn't — many of them older people who had nowhere to go — knew that living in a republic that was recognized by only Russia, North Korea and Syria, and under constant shelling, was unsustainable. Views on whether the city should become part of Russia, however, varied widely. Some coveted Russian citizenship because they saw Russia as a stronger, richer country with better jobs and higher pensions. Others, like my aunt and uncle, who have lived in Donetsk their whole lives, wanted the region to go back to Ukraine."¹³

The author says '*Putin Will Get Whatever Result He Wants*'. But does not mention that in all four regions, anti-Orange parties or centrist parties got clear majorities in 2004, 2006,

2007, 2010, 2012, 2014 and 2019.¹⁴¹⁵

Sweden and Italy, Overstrained Communities

"Back in the 1980s, the ethnologist Ake Daun argued that the average Swede was extremely conformist and consensus oriented. He found that in neighbouring Scandinavian countries, 4-6% of people disliked the company of those whose ideas and values they did not themselves share. But in Sweden the figure was 45%.

"Since then, the main representatives of such 'dreaded' difference — immigrants and their descendants — have come to constitute a quarter of the population. But many 'native' Swedes do not typically mix with them — and flee their neighbourhoods if they move in. Then there is an unemployment rate among the foreign-born population of almost 20%. Sweden has also seen a surge in shootings and organised crime over the last year. The reasons behind the increase in crime are complex — class and social exclusion play an important role — but the result is a political and media debate that focuses on the supposed values or cultures of immigrants themselves."¹⁶

Sweden is composed of Swedes who take a particular view of each other. Adding too many strangers strained that view.

We can't in fact let in whoever might wish to come. Hundreds of millions would like to move to Europe or the USA. The world's rich countries could never accept it.

Real humans are not a slurry of units of The Individual, whatever the liberal-left imagine. People need to find meaning as part of a social

network that could last forever. This can include complete outsiders, and benefit from them. But only if the numbers are not too great.

Swedes believe in looking after other Swedes. Letting in gigantic number of strangers was bound to spoil that.

Immigration policies have been the middle class indulging itself at the expense of the rest of the society. Dishing out rewards to some of the world's poor, while letting most of them suffer.

It was also a cheap solution for the rich elite. Easier than helping the source countries with vast economic aid, paid for by higher taxes. Or choosing to pay higher prices for the raw materials that most of the poor depend on.

Swedish socialism remains strong. The Social Democrats actually recovered seats and votes from their mauling back in 2018.¹⁷ 30%, as against 20% for the anti-immigrant Sweden Democrats. But allies on the left lost votes. A right-wing coalition is now expected.

Italy, Also Overstrained

"Times have changed': Italian town once run by communists poised to vote far right

"Sesto San Giovanni in Milan, a key swing seat, has embraced Giorgia Meloni's Brothers of Italy...

"The northernmost stop on Milan's M1 metro line, far from the Duomo and La Scala, Sesto San Giovanni used to be a no-go zone for the right. Nicknamed 'Stalingrad', its roads and civic buildings still testify to the lost era when the local Communist party ran the area, backed by huge workforces employed in four metalwork factories...

"Apicella used to work as a mechanic at the giant Falck steelworks that once dominated Sesto's skyline. In the 1990s, as local industry shut down, he voted hard left. On Sunday, he will vote

12 <https://labouraffairsmagazine.com/m-articles-by-topic/52-usa/>

13 <https://www.nytimes.com/2022/09/23/opinion/international-world/ukraine-referendum-donbas-putin.html>

14 <https://mrgwydionmwilliams.quora.com/Ukraine-Mariupol-and-the-War-for-the-Oblasts>

15 https://en.wikipedia.org/wiki/Elections_in_Ukraine

16 <https://www.theguardian.com/commentisfree/2022/sep/15/far-right-sweden-intolerance-liberalism-election-results>

17 https://en.wikipedia.org/wiki/2022_Swedish_general_election

for the rightwing coalition represented by Rauti. 'The left has stopped representing the workers,' said Apicella. 'Before, there used to be two Milans, the Catholic one of the bosses and the middle classes, and the leftwing one of the workers. The second world has disintegrated. Politicians on the left allowed globalisation to destroy it. Make sure you put that in your paper.'...

"The sons and daughters of many of those old workers are more insecure, often in precarious jobs,' says Camagni. 'Or employed in call centres and in low-level white-collar jobs which are vulnerable to automation. The far right is profiting from a widespread sense of frustration, exploiting it to create a different, menacing kind of solidarity – one that unifies people against immigrants and other minorities.'"¹⁸

I assume the loss of regular industrial jobs is a big factor.

It is also a failure of the Identity Politics that much of the left has embraced from the 1970s.

Concern for oppressed minorities is fine, but Identity Politics typically leaves out the majority of the population. People who are members of the same categories as the rich elite, but not rich and not elite.

It pushes social change too fast, fragmenting feelings of solidarity. The two-to-one rejection of a new constitution in Chile is one example.

It is alienating other global cultures.¹⁹

Two Nice Dead People, Unfit For Their Jobs

Now they are decently buried, it is time to say that Gorbachev and Queen Elizabeth Windsor were both well-meaning fools.

Mikhail Gorbachev died on 30 August 2022, aged 91. Britain's monarch died on 8 September 2022, aged 96.

I've explained elsewhere why I despise Gorbachev.²⁰ I now point out that the late Queen repeatedly failed to do good when she had the option.

In as far as she had a global mission, it failed. It was imagined that a Commonwealth expanded from the mostly-white settler colonies would remain a serious force, just as the European Union has become. But what actually happened was that the mostly-white settler colonies moved away, while the rest never saw it as very important.

At home, she failed her daughter-in-law Diana, who had walked into a bad marriage that many other women had been wise enough to avoid. No one within the royal family tried to help her, it seems. And outsiders didn't then know that Charles had been prevented from having the woman he'd wanted.²¹ Part of the same silly notion of Royal Purity that also messed up the Queen's sister Margaret.

We are told that Queen Elizabeth could give sensible advice to Prime Ministers. But I assume someone briefed her.

Her son probably won't listen, and has already blundered:

¹⁸ <https://www.theguardian.com/world/2022/sep/22/italy-election-communist-far-right-sesto-san-giovanni>

¹⁹ <https://labouraffairsmagazine.com/problems-magazine-past-issues/the-west-fails-in-five-civilisations/the-west-fails-in-five-civilisations-2/>

²⁰ <https://mrgwydionmwilliams.quora.com/Gorbachev-the-Wrecker>

²¹ https://en.wikipedia.org/wiki/Camilla,_Queen_Consort#Relationship_with_Charles

"King Charles's staff given redundancy notice during church service for Queen".²²

He takes after his father – an arrogant rich man with no idea how much he damages his status.

One last point. People waited for absurd amounts of time to view her coffin. But why a physical queue? Why not give everyone a ticket, and let them know when they were within an hour of getting in?

Maybe they wanted to maximise the respect shown. But it does not improve my view of either their cleverness or their concern for ordinary people.

Snippets

More Tory Failures

"Generation Z faces a brutal truth. Finding a decent home will be a lifelong struggle".²³

When councils were still allowed to build council houses, few were homeless. And those who wanted their own house could mostly afford it.

The promise of a '*property-owning democracy*' proved false.

The whole country is going downhill:

"Liz Truss allowed farmers to pollute England's rivers after 'slashing red tape', say campaigners

"Agricultural waste outstrips sewage as the main danger – and activists blame the ex-environment secretary's cuts to farm inspections."²⁴

*

Turkish Inequality

"Children as young as nine are working in plastic waste recycling centres in Turkey, putting them at risk of serious and lifelong health conditions, according to Human Rights Watch.

"Workers including children, and people living in homes located 'dangerously close' to the centres, told researchers they were suffering from respiratory problems, severe headaches and skin ailments.

"In a new report, HRW accuses the Turkish government of exacerbating the health and environmental impact on the workers by failing to enforce laws that require strict licensing and regular inspections of recycling centres."²⁵

*

Old newsnotes at the magazine websites. I also write regular blogs - <https://www.quora.com/q/mrgwydionmwilliams>

²² <https://www.theguardian.com/uk-news/2022/sep/13/king-charles-staff-given-redundancy-notice-during-church-service-for-queen>

²³ <https://www.theguardian.com/commentisfree/2022/aug/28/life-is-better-now-than-in-the-1950s-but-at-least-that-generation-could-afford-a-home>

²⁴ <https://www.theguardian.com/environment/2022/aug/27/liz-truss-allowed-farmers-to-pollute-englands-rivers-after-slashing-red-tape-say-campaigners>

²⁵ <https://www.theguardian.com/global-development/2022/sep/21/children-as-young-as-nine-say-they-are-ill-from-work-recycling-plastic-in-turkey>

Froggy



Price of Electricity in France and England

I wanted to find out why my electricity bill here in England is so much higher than that of my relatives in France. Take for example my bill for period ending 31 May 2022: it charges me 29.332p/kWh (= 0.3 euro); my sister's bill charges her for the period ending 28 April 2022 0,1374 euro/kWh. The French price does not include tax, VAT in particular, nevertheless the difference is clear. Bills in England are going up 100%, in France not more than 15% next year.

Yet, we are supposed to have a European wide liberalised interconnected energy market, Macron is an avowed liberal, so why the huge differences?

Let's have a look at how the liberalised system works.

A liberalised system breaks up state monopoly of electricity production, distribution and sales into separate companies (like the railway privatisation that breaks up the rail network, the rolling stock and other bits into separate companies that have somehow to work together.) This is called 'vertical disintegration'. So you have the producers, who sell on the wholesale market who in turn sell to retailers who then sell to households. Industry buys from the wholesale market. The distribution network, national grids of pylons, wires etc have by law to be made available to all suppliers.

The other factor in the calculation of price is the need to import energy to make up national production. Then there is the question of deciding a pricing system that applies to the whole of Europe, regardless of how a particular country produces its own power.

The aim of market orthodoxy is a Europe-wide energy market with one selling price for electricity, alongside national energy production with different cost prices. Companies buy and sell electricity at a daily auction across Europe. That is how the electricity market works. It uses 'marginal pricing' to determine electricity prices hourly for the following day. The production cost of gas fired generators is higher than the cost of other generation types. Because gas fired generators are the crucial factor in meeting demand, they set the market price.

Or as the FT puts it:

"Pricing in Britain's wholesale electricity market, like on the continent, is based on "short-run marginal costs". Every electricity generator puts a bid in but the daily market price is set at the level that ensures there will be sufficient supply to meet demand. In other words, the price is always set by the most expensive plant — usually a fossil fuel-fired one — required that day. In practice, this means gas-fired power

plants, which still account for just under 40 per cent of Britain's electricity supply, set the power price more than 80 per cent of the time, according to academics at University College London.

The system worked when Britain's electricity system was dominated by coal, gas and nuclear but renewable sources such as wind and solar, which run very cheaply once built, are rapidly growing their market share. Renewable generation, including biomass, accounted for 43 per cent of the generation mix in 2021, according to government data."

In 2008 an energy stock exchange for Europe was set up, and it caused only small increases in retail price to start with, until the recovery from Covid caused a surge in demand in summer and autumn 2021. Prices started to rise rapidly, followed by Russia reacting to sanctions by decreasing supply and the present end of Russian supplies and resulting shortage.

The result is very high prices for consumers and for industry; another result is that electricity producers using renewables and nuclear, both cheap methods once set up, sell their energy at prices much higher than cost price, resulting in high profits. These unexpected profits should be taxed or even removed and the money used to even out costs. This is what Liz Truss is refusing

to do.

Yet both Liz Truss, Kwarteng and Johnson claim to want an end to this pricing system:

This is Liz Truss to the House of Commons 8/9/22:

“Renewable and nuclear generators will move on to contracts for difference, to end the situation in which electricity prices are set by the marginal price of gas. This will mean that generators receive a fair price that reflects their cost of production, further bringing down the cost of this intervention.”

Decoupling electricity from gas, “That’s the suggestion from the Business Secretary who spoke earlier during a session of the Business, Energy and Industrial Strategy Committee about the government’s plans to provide further support for customers struggling to pay their [energy bills](#).”

He [Kwasi Kwarteng] said: “One of the things we are very keen to do in BEIS is to look at the pricing mechanism in the electricity market because it cannot be the case forever that we can link directly our [electricity prices](#) to gas prices when gas is only a portion of the electricity generating mix.”

A few days ago, [the Prime Minister highlighted the same issue](#) and touted it as one of the problems of the current energy system.

[Boris Johnson](#) said:

“That is frankly ludicrous. We need to get rid of that system, we need to reform our energy systems as they have done in other European markets.”

29 June 2022, <https://www.energylivenews.com/2022/06/29/link-between-electricity-and-gas-prices-cannot-stay-forever-says-kwasi-kwarteng/>

[kwarteng/](#)

If that is what they want, what is stopping them? The opposition, occupied with more important matters than sordid calculations of everyday costs, is not putting the pressure on them that they need.

So, why can France offer cheap electricity? It produces its own electricity and does not need to import. The main electricity producer was majority state owned and is now 100% state owned. This enabled it, since 2007, date of the opening to the market, under Sarkozy, to offer households and small businesses a choice between keeping the ‘historic’ regulated price (Tarif Réglementé de Vente (TRV), or ‘Tarif Bleu’) or signing a market contract with EDF or a new provider. Needless to say, my sister’s bill is Tarif Bleu. And it informs her clearly in a prominent paragraph under her address that ‘As a customer with regulated tariffs, you can subscribe to a market offer at any time, free of charge, with the supplier of your choice. Compare offers for free on [energie-info.fr](#).’

It looks as if France has managed to keep its energy sector out of the market system to a large extent, to the benefit of its population. It has avoided the break up between producer and retailer: EDF both produces and sells to households. It can fix its price without regard to the market. The market however has a share in that consumers have the choice to go with other providers who offer market prices. ‘New’ market providers are not allowed to offer the historic regulated rate that is specific to EDF and other historic providers. The other effect of the market is that EDF is forced to sell a proportion of its cheap electricity to its competitors at cheap prices.

There are problems with French electricity however, in fact listening them, they are going to

starve and freeze the same as here.

Recently France produced 71% of its electricity from nuclear, and 20% from renewables. Both are much cheaper than gas and coal. Yet the price of electricity has gone up appreciably since 2021.

There are various reasons for this.

*The remnant (nearly 10%) has to be imported on the European market where the price is high.

*Of 56 nuclear power stations, (built between 1973 and 1986) only 24 are in production, the rest being closed due to maintenance problems. One power station was closed altogether although it was functional (Fessenheim in Eastern France) in 2020. France produced 25% less nuclear electricity in 2021 compared to previously. There has been a ‘loss of competence’ and a loss of skills in the industry, according to experts (le Monde 22 November 2019).

The 2022 drought reduced the production of hydroelectricity, as well as causing problems for the cooling function in nuclear power stations.

Some gas and coal fired power stations were closed altogether to reduce carbon emissions.

The French government is taking measures to counter the price increases:

*It will provide ‘energy cheques’ to help low income households weather this, that is 12 million cheques.

*In 2021 it capped the increase at 4% for the following year, and at 15% for 2023, that is for households, council housing, small firms and small villages.

*it reduced the tax part of electricity bills.

The government completed its ownership of the main producer, EDF, from 83% to 100%.

Added to the problems listed above is the effect of the European

market on French electricity production, distribution and sales, and the effect of the anti-nuclear Green International.

An ex director of EDF explained this in *Le Monde* (22 November 2019):

“The era of the enthusiastic pioneers of the “crash program” following the panic of the oil crisis [1973], during which leadership was clearly identified and supported at the highest level of the state, has given way to a time of rentiers, fussy about details and competing to capture the rent. Obviously, you can blame a coordination problem. Who is in charge, between EDF, the Nuclear Safety Authority, Siemens and the CEA? Without constant and assertive support, nuclear power will wither away.

Having the “Green International” of the new global ecological left against you at the same time as the financial short-termism of Wall Street is no small matter for this temple of the productive real economy and heavy high-tech. Not forgetting our German neighbours, for whom the French success is a permanent challenge to their alleged technological superiority; it also highlights the inter-German contradictions and disputes, which make the immeasurable extra cost of renewable energies pay for the very cheap and polluting lignite and the dependence on Russian gas. Fortunately, we still have China, a good student of French technology at Daya Bay and Taishan, which, in its Confucian conception of a harmonious world, has understood that nuclear energy is the only real substitute for coal, oil and gas in power plants.”

EDF is forced to sell its production at low cost to its

competitors. This reduces its income and prevents investment, in particular in the renewal of nuclear power stations and the building of new ones.

Let us go back finally to the question of the liberal pricing of electricity and gas, where the cases of Scotland and of Spain are instructive.

The case of Scotland

Ian Blackford (SNP) said during the same debate on energy presented by Truss as above:

“We need to reflect that energy bills are rising in an energy-rich Scotland. The damage done by the UK Government’s choices—choices that have been imposed on us—make the choice about Scotland’s future ever clearer. Scotland is energy rich, so we simply should not be facing an energy emergency. It may surprise some in this House, but Scotland produces six times more gas than we consume and almost 100% of our entire electricity production comes from renewables. That is not attention-seeking, I would say to the Prime Minister; these are the facts. Scotland has the energy, but we just simply do not have the powers. We are stuck in a UK market that prices our electricity on the basis of the price of wholesale gas, and the power to change the system lies with Westminster. ‘

And it was noted in an FT article (2/10/22) discussing decoupling electricity from gas that:

“Locational pricing” is designed to address another big anomaly in the power markets: under the existing arrangements wind farms in Scotland are paid hundreds of millions of pounds a year to switch off when they are producing too much power for the local grids to

handle.”

The case of Spain

Because of its geographical position, Spain is not connected to the European power grid. They are not part of the European energy exchange. They have managed to negotiate with the European Commission that the price of their electricity is not connected to the price of gas, from May 2022.

The case of Spain is particular because of geography, but the case of Scotland highlights the absurdity of the market system for electricity. It is unbelievable that Scotland has to pay the so-called market price when it is self-sufficient in cheap energy. The market is clearly not working: it is not providing households or businesses with energy they can afford. To solve the problem the market relies on the state: the state is part of the equation. Without the state society would break up under the strain. This was obvious during the 2008 financial crash. How can anyone believe in the market anymore? It’s like children setting off on an adventure, knowing their parents are there in the background to rescue them. Except that in the case of markets, the adventure involves millions of people, who are more and more reluctant to be part of the ride and might welcome a strong state. As we know, there is more than one form of a strong state.

The Cost of Rail Privatisation

By Pete Whitelegg

With the election of Margaret Thatcher in 1979 most of the state-owned industries were privatised including many of the businesses operating within the umbrella of British Railways. Sealink Ferries and British Transport Hotels were sold by 1984. Travellers Fare catering by 1988 and British Rail Engineering (train building) by 1989. But it was not until the publication of the Railways act of 1993 that John Major's government began the process of fully breaking up what had been British Rail since its nationalisation in 1948.

Under this system the regulatory functions were passed to the Office of Rail Regulator. Ownership of the rail infrastructure, tracks, and stations etc, was transferred to Railtrack. Maintenance of these assets was passed over to 13 companies across the network. The rollingstock was passed over to 3 rolling stock companies (ROSCO's) who would lease the trains to the train operating companies (TOC's) who would be awarded contracts by the Office of Passenger Rail Franchising; the contracts would last between 5 and 7 years.

One of the principles underpinning rail privatisation was the expectation that the railways could be run more efficiently in the private sector because of the profit motive. This view rested on the assumption that there were considerable savings to be made through running the services more efficiently. Competition and profit were to be the driving forces of this new era in rail travel. However, the new operators soon realised that BR had already accomplished much of what could be done to improve the efficiency of the system and competition between rail services was almost negligible.

Another core aspect of rail privatisation was to remove the financial risk of rail operation from the taxpayer and place it firmly within the orbit of the franchised rail companies. It was envisaged that over time the franchised rail companies would cease to require

the support of government funding because of the greater efficiency of the private sector and their ability to cut costs.

What has been clear from the outset is that much of the investment since privatisation in improving the functioning of the rail network has not come from the private companies. Instead, it has come from central government or the devolved authorities. It has been this investment that has driven the increase in passenger numbers. These have been major investments in network speed improvements, electrification and in cab signalling and many others.

The railways have never managed to operate without significant government subsidy. In recent years, particularly since 2016, operator expenditure has increased faster than income, as cost inflation continued, and passenger numbers began to stagnate, falling significantly below the expectations of operators when they bid for the franchises. This has drastically affected the profitability of operators and the cost for government. This has led to some of the franchises, like Virgin and Stagecoach handing the keys back to government, and one, Northern, failing altogether.

Even prior to the emergency measures brought in due to covid the private rail companies were lobbying for a change to a management fee system of rail funding as a way of addressing the falling rate of profit.

When covid hit, this is precisely what happened. The government stepped in and implemented a series of emergency funding agreements that transformed the way in which the rail industry is funded.

Immediately after the Government announced the UK was going into lockdown it announced that there would be Emergency Measures Agreements (EMAs) for the railways. Initially these were to last six months. The government would take on all the revenues risk from plummeting passenger fares and would cover all industry costs,

while at the same time guaranteeing the rail companies' profits through a management fee. Department for Transport data shows that between March 2020 and September 2020 this amounted to £98 million with around half of that going overseas.

After September 2020, EMAs were replaced with Emergency Recovery Management Agreements (ERMAs). These were to run for 18 months and again they would be based on a management fee with a performance component. Over the 18 months of the ERMAs the TOCs were likely to make in the region of £231 million.

The ERMAs were, as expected, replaced on a permanent basis by management contracts. The RMT estimates that by 2027, the TOCs are likely to have extracted another £626 million in profits and dividends. That would mean, by 2027 the TOCs would have taken around £955 million in dividends since the start of the pandemic.

Not only are the rail companies now guaranteed profits by the management contracts they also take none of the risk. Recently we have seen rail companies reduce services contrary to the performance criteria contained within the contracts. Yet there have been no deductions by the government because of the reduction in service levels.

In 2004, in the wake of the disastrous accidents that accompanied the privatisation of rail infrastructure, Network brought its rail maintenance back in house. This produced savings of between £100 million and £264 million every year due to the reduced overheads from commercial profits, removal of duplication of systems to manage staff and programmes and economies of scale.

However, much of the renewals work continues to be outsourced. This decision was criticised in 2004 by the Transport Select Committee which said that "Taking more work "in house" would be an opportunity to reduce the number of company"

Continued On Page 17

Kwasi Kwarteng's Mini-Budger

Text of the mini-budget by Kwasi Kwarteng, called 'The Growth Plan' in Hansard, which caused great excitement as well as a drop in the value of the pound, and is already being watered down. See editorial for comment.

<https://www.gov.uk/government/speeches/the-growth-plan-2022-speech>

Mr Speaker,

Let me start directly with the issue most worrying the British people – the cost of energy.

People will have seen the horrors of Putin's illegal invasion of Ukraine.

They will have heard reports that their already-expensive energy bills could reach as high as £6,500 next year.

Mr Speaker, we were never going to let this happen.

The Prime Minister has acted with great speed to announce one of the most significant interventions the British state has ever made.

People need to know that help is coming.

And help is indeed coming.

We are taking three steps to support families and businesses with the cost

of energy.

Firstly, to help households, the Energy Price Guarantee will limit the unit price that consumers pay for electricity and gas.

This means that for the next two years, the typical annual household bill will be £2,500.

For a typical household, that is a saving of at least £1,000 a year, based on current prices.

We are continuing our existing plans to give all households £400 off bills this winter.

So taken together, Mr Speaker, we are cutting everyone's energy bills by an expected £1,400 this year.

And millions of the most vulnerable households will receive additional payments, taking their total savings this year to £2,200.

Secondly, as well as helping people, we need to support the businesses who employ them.

The Energy Bill Relief Scheme will reduce wholesale gas and electricity prices for all UK businesses, charities, and the public sector like schools and hospitals.

This will provide a price guarantee equivalent to the one provided for households, for all businesses across the country.

Thirdly, energy prices are extremely volatile, erratically rising and falling every hour.

This creates real risks to energy firms who are otherwise viable businesses.

Those firms help supply the essential energy needed by households and businesses.

So to support the market, we are announcing the Energy Markets Financing Scheme.

Delivered with the Bank of England, this scheme will provide a 100% guarantee for commercial banks to offer emergency liquidity to energy traders.

Mr Speaker,

The consensus amongst independent forecasters is that the Government's energy plan will reduce peak inflation by around 5 percentage points.

It will reduce the cost of servicing index-linked government debt and lower wider cost of living pressures.

And it will help millions of people and businesses right across the country with the cost of energy.

Let no one doubt: during the worst energy crisis in generations, this Government is on the side of the British people.

Continued From Page 16

interfaces" and contracts which burden the industry. This criticism could also be levelled at the rail companies. Each rail company has a significant bureaucracy dedicated to delay attribution and managing staff across a myriad of different staff agencies and maintenance contracts. This is a significant cost to the industry.

Grant Shapps, the previous Transport Secretary, made it clear that the industry as a whole needed to reduce its costs post pandemic. It was pointed out to the Secretary of State that one area could see significant reductions in costs was that of rolling stock. From 2016 to 2020 rolling stock costs increased by around 91%.

At the outset of privatisation rolling stock was split into 3 companies. These three companies were supposed to compete in providing the private rail companies with trains. However, because of the differing needs of the rail companies they required different types of rolling stock. So instead of competition between these companies each company tended to specialise in certain types of rolling stock for use on particular routes. Over time this has resulted in each company specialising

in certain types of rolling stock severely reducing any form of competition between them.

The three main companies, who between them own 88% of Britain's trains, make an average of £220 million in pre-tax profits every year. In the pandemic year of 2020 these companies paid out £949 million in dividends, with Angel trains paying some £822 million in dividends to its Jersey based parent company. Most of this money will flow overseas through low tax areas such as Luxembourg and Jersey.

When asked whether the government had considered capping any of the payments to these companies, the government reply was "there has been no assessment made as these are legally binding contracts between the train operator and the rolling stock company".

The changes implemented because of the failure of the privatisation model have been a missed opportunity, clearly not one that was ever going to be picked up by this present government. The current system now guarantees the private sector continued and significant profit while taking no risks. For the rest of us who use the rail system, all we have to look forward to are increased fares and the managed decline of our rail system.

The Bank of England are taking further steps to control inflation, acting again only yesterday.

I can assure the House, this Government considers the Bank of England's independence to be sacrosanct.

And we remain closely coordinated, with the Governor and myself speaking twice a week.

But Mr Speaker,

High energy costs are not the only challenge confronting this country.

Growth is not as high as it should be.

This has made it harder to pay for public services, requiring taxes to rise.

In turn, higher taxes on capital and labour have lowered returns on investment and work, reducing economic incentives and hampering growth still further.

This cycle has led to the tax burden being forecast to reach the highest levels since the late 1940s – before even Her Late Majesty acceded to the throne.

We are determined to break that cycle.

We need a new approach for a new era, focused on growth.

Our aim, over the medium term, is to reach a trend rate of growth of 2.5%.

And our plan is to expand the supply side of the economy through tax incentives and reform.

That is how we will deliver higher wages, greater opportunities, and crucially, fund public services, now and into the future.

That is how we will compete successfully with dynamic economies around the world.

That is how we will turn the vicious cycle of stagnation into a virtuous cycle of growth.

So as a Government, we will focus on growth – even where that means taking difficult decisions.

None of this is going to happen overnight. But today we are publishing our Growth Plan that sets out a new approach for this new era, built around three central priorities:

Reforming the supply-side of the economy.

Maintaining responsible approach to public finances

And cutting taxes to boost growth.

Mr Speaker,

The UK has the second-lowest debt to GDP ratio of any G7 country.

In due course, we will publish a Medium-Term Fiscal Plan, setting out our responsible fiscal approach more fully.

Including how we plan to reduce debt as a percentage of GDP over the medium term.

And the OBR will publish a full economic and fiscal forecast before the end of the year, with a second to follow in the new year.

Fiscal responsibility remains essential for economic confidence, and it is a path we remain committed to.

Today we are publishing costings of all the measures the Government has taken.

And those costings will be incorporated into the OBR's forecast in the usual way.

The House should note that the estimated costs of our energy plans are particularly uncertain, given volatile energy prices.

But based on recent prices, the total cost of the energy package, for the six months from October, is expected to be around £60bn.

We expect the cost to come down as we negotiate new, long term energy contracts with suppliers.

And, in the context of a global energy crisis, it is entirely appropriate for the government to use our borrowing powers to fund temporary measures in order to support families and businesses.

That's what we did during the Covid-19 pandemic.

A sizeable intervention was right then...and it is right now.

The heavy price of inaction would have been far greater than the cost of these schemes.

Mr Speaker,

We are at the beginning of a new era.

As we contemplate this new era, we recognise that there is huge potential in our country.

We have unbounded entrepreneurial drive.

We have highly skilled people.

We have immense global presence in sectors like finance, life sciences, technology, and clean energy.

But Mr Speaker, there are too many barriers for enterprise. We need a new approach to break them down. That

means reforming the supply side of our economy.

Over the coming weeks, my Cabinet colleagues will update the House on every aspect of our ambitious agenda.

Those updates will cover: the planning system, business regulations, childcare, immigration, agricultural productivity, and digital infrastructure.

And Mr Speaker, we start this work today.

An essential foundation of growth is infrastructure.

The roads, railways, and networks that carry people, goods, and information all over our country.

Today, our planning system for major infrastructure is too slow and fragmented.

The time it takes to get consent for nationally significant projects is getting slower, not quicker, while our international competitors forge ahead.

We have to end this.

We can announce that in the coming months, we will bring forward a new Bill to unpick the complex patchwork of planning restrictions and EU-derived laws that constrain our growth.

We will streamline a whole host of assessments, appraisals, consultations, endless duplications, and regulations.

We will also review the government's business case process to speed up decision making.

And today, we are publishing a list of infrastructure projects that will be prioritised for acceleration, in sectors like transport, energy, and telecoms.

And, to increase housing supply and enable forthcoming planning reforms, we will also increase the disposal of surplus government land to build new homes.

Mr Speaker, we are getting out of the way to get Britain building.

Mr Speaker,

One of the proudest achievements of our government is that unemployment is at the lowest level for nearly fifty years.

But with more vacancies than unemployed people to fill them, we need to encourage people to join the labour market.

We will make work pay by reducing people's benefits if they don't fulfil their job search commitments.

We'll provide extra support for unemployed over-50s.

And we'll ask around 120,000 more people on Universal Credit to take active steps to seek more and better paid work, or face having their benefits reduced.

And, Mr Speaker,

At such a critical time for our economy, it is simply unacceptable that strike action is disrupting so many lives.

Other European countries have Minimum Service Levels to stop militant trade unions closing down transport networks during strikes.

So we will do the same.

And we will go further.

We will legislate to require unions to put pay offers to a member vote, to ensure strikes can only be called once negotiations have genuinely broken down.

Of course, Mr Speaker, to drive growth, we need new sources of capital investment.

To this end, I can announce that we will accelerate reforms to the pension charge cap so that it will no longer apply to well-designed performance fees.

This will unlock pension fund investment into UK assets and innovative, high growth businesses.

It will benefit savers and increase growth.

And, we will provide up to £500 million to support new innovative funds and attract billions of additional pounds into UK science and technology scale-ups.

And Mr Speaker, this brings me to the cap on bankers' bonuses.

A strong UK economy has always depended on a strong financial services sector.

We need global banks to create jobs here, invest here, and pay taxes here in London, not Paris, not Frankfurt, not New York.

All the bonus cap did was to push up the basic salaries of bankers, or drive activity outside Europe.

It never capped total remuneration, so let's not sit here and pretend otherwise.

So we're going to get rid of it.

And to reaffirm the UK's status as the world's financial services centre, I will set out an ambitious package of regulatory reforms later in the Autumn.

But Mr Speaker,

To support growth right across the country, we need to go further, with targeted action in local areas.

So today, I can announce the creation of new investment zones.

We will liberalise planning rules in specified agreed sites, releasing land and accelerating development.

And we will cut taxes.

For businesses in designated tax sites, for ten years, there will be:

Accelerated tax reliefs for structures and buildings.

And 100% tax relief on qualifying investments in plant and machinery.

On purchases of land and buildings for commercial or new residential development, there will be no stamp duty to pay whatsoever.

On newly occupied business premises, there will be no business rates to pay whatsoever.

And if a business hires a new employee in the tax site, then on the first £50,000 they earn...

...the employer will pay no National Insurance whatsoever.

That is an unprecedented set of tax incentives for business to invest, to build, and to create jobs right across the country.

I can confirm for the House that we're in early discussions with nearly 40 places like Tees Valley, the West Midlands, Norfolk and the West of England to establish Investment Zones.

And we'll work with the devolved administrations and local partners to make sure Scotland, Wales and Northern Ireland will also benefit, if they are willing to do so.

If we really want to level up, Mr Speaker – we have to unleash the power of the private sector.

And now, Mr Speaker, we come to tax – central to solving the riddle of growth.

The tax system is not simply about raising revenue for public services, vitally important though that is. Tax determines the incentives across our whole economy.

And we believe that high taxes reduce incentives to work, they deter investment and they hinder enterprise.

As the Prime Minister has said, we will review the tax system to make it simpler, more dynamic, and fairer for families.

And we are taking that first step today.

Mr Speaker,

The interests of businesses are not separate from the interest of individuals and families.

In fact, it is businesses that employ most people in this country.

It is businesses that invest in the products and services we rely on.

Every additional tax on business is

ultimately passed through to families through higher prices, lower pay, or lower returns on savings.

So I can therefore confirm that next year's planned increase in Corporation Tax will be cancelled.

The UK's corporate tax rate will not rise to 25% - it will remain at 19%.

We will have the lowest rate of Corporation Tax in the G20.

This will plough almost £19bn a year back into the economy.

That's £19bn for businesses to reinvest, create jobs, raise wages, or pay the dividends that support our pensions.

I've already taken steps elsewhere in this statement to support financial services, so the Bank Surcharge will remain at 8%.

But, Mr Speaker, we will do more to encourage private investment.

The Annual Investment Allowance, which gives 100% tax relief on investments in plant and machinery, will not fall to £200,000 as planned...

It will remain at £1m.

And it will do so permanently.

Our duty is to make the UK one of the most competitive economies in the world – and we are delivering.

And Mr Speaker,

We want this country to be an entrepreneurial, share-owning democracy.

The Enterprise Investment Scheme. The Venture Capital Trusts. We will extend them beyond 2025.

The Seed Enterprise Investment Scheme. Company Share Option Plans. We will increase the limits to make them more generous.

Crucial steps on the road to making this a nation of entrepreneurs.

Mr Speaker,

For the tax system to favour growth, it needs to be much simpler.

I'm hugely grateful to the Office of Tax Simplification for everything they have achieved since 2010.

But instead of a single arms-length body which is separate from the Treasury and HMRC, we need to embed tax simplification into the heart of Government.

That is why I have decided to wind down the Office of Tax Simplification, and mandated every one of my tax officials to focus on simplifying our tax code.

To achieve a simpler system, I will start by removing unnecessary costs for business.

Firstly, we will automatically sunset EU regulations by December 2023, requiring departments to review, replace or repeal retained EU law.

This will reduce burdens on business, improve growth, and restore the primacy of UK legislation.

Mr Speaker, we can also simplify the IR35 rules – and we will.

In practice, reforms to off-payroll working have added unnecessary complexity and cost for many businesses.

So, as promised by My RHF the Prime Minister, we will repeal the 2017 and 2021 reforms.

Of course, we will continue to keep compliance closely under review.

Mr Speaker,

Britain welcomes millions of tourists every year, and I want our high streets and airports, our ports and our shopping centres, to feel the economic benefit.

So we have decided to introduce VAT-free shopping for overseas visitors.

We will replace the old paper-based system with a modern, digital one.

And this will be in place as soon as possible.

This is a priority for our great British retailers – so it is our priority, too.

Our drive to modernise also extends to alcohol duties.

I have listened to industry concerns about the ongoing reforms.

I will therefore introduce an 18-month transitional measure for wine duty.

I will also extend draught relief to cover smaller kegs of 20 litres and above, to help smaller breweries.

And, at this difficult time, we are not going to let alcohol duty rates rise in line with RPI.

So I can announce that the planned increases in the duty rates for beer, for cider, for wine, and for spirits will all be cancelled.

Now, Mr Speaker, we come to the question of personal taxation.

It is an important principle that people should keep more of the money they earn. And it is good policy to boost the incentives for work and enterprise.

Yesterday, we introduced a Bill that means the Health and Social Care Levy will not begin next year... it will be cancelled.

The increase in Employer National Insurance Contributions and dividends tax... will be cancelled.

And the interim increase in the National Insurance rate, brought in for this tax year... will be cancelled.

And this cut will take effect from the earliest possible moment, November 6th.

Reversing the Levy delivers a tax cut for 28 million people, worth, on average, £330 every year;

A tax cut for nearly a million businesses;

And I can confirm: the additional funding for the NHS and social care services will be maintained at the same level.

Mr Speaker,

I have another measure.

Today's statement is about growth.

Home ownership is the most common route for people to own an asset, giving them a stake in the success of our economy and society.

So to support growth, increase confidence, and help families aspiring to own their own home, I can announce that we are cutting stamp duty.

In the current system, there is no stamp duty to pay on the first £125,000 of a property's value.

We are doubling that – to £250,000.

First time buyers currently pay no stamp duty on the first £300,000.

We're increasing that threshold as well, to £425,000.

And we're going to increase the value of the property on which first time buyers can claim relief, from £500,000 to £625,000.

The steps we've taken today mean 200,000 more people will be taken out of paying stamp duty altogether.

This is a permanent cut to stamp duty, effective from today.

And Mr Speaker,

I have another measure.

High tax rates damage Britain's competitiveness.

They reduce the incentive to work, invest, and start a business.

And the higher the tax, the more ways people seek to avoid them, or work elsewhere or simply work less...

...rather than putting their time and effort to more creative and productive ends.

Take the additional rate of income tax.

At 45%, it is currently higher than the headline top rate in G7 countries like the US and Italy.

And it is higher even than social democracies like Norway.

But I'm not going to cut the additional rate of tax today, Mr Speaker.

I'm going to abolish it altogether.

From April 2023, we will have a single

higher rate of income tax of 40 per cent.

This will simplify the tax system and make Britain more competitive.

It will reward enterprise and work.

It will incentivise growth.

It will benefit the whole economy and whole country.

And, Mr Speaker, after all, this only returns us to the same top rate we had for 20 years.

And that's not all.

I can announce today that we will cut the basic rate of income tax to 19p in April 2023 – one year early.

That means a tax cut for over 31 million people in just a few months' time.

This means we will have one of the most competitive and pro-growth income tax systems in the world.

Mr Speaker,

For too long in this country, we have indulged in a fight over redistribution.

Now, we need to focus on growth, not just how we tax and spend.

We won't apologise for managing the economy in a way that increases prosperity and living standards.

Our entire focus is on making Britain more globally competitive - not losing out to our competitors abroad.

The Prime Minister promised that this would be a tax-cutting government.

Today, we have cut stamp duty.

We have allowed businesses to keep more of their own money to invest, to innovate, and to grow.

We have cut income tax and national insurance for millions of workers.

And we are securing our place in a fiercely competitive global economy...

...with lower rates of corporation tax...

...and lower rates of personal tax.

We promised to prioritise growth.

We promised a new approach for a new era.

We promised, Mr Speaker, to release the enormous potential of this country.

Our Growth Plan has delivered all those promises and more.

And I commend it to the House.

Published 23 September 2022

Debate on Energy

8 September 2022, House of Commons

<https://hansard.parliament.uk/commons/2022-09-08/debates/6911DA71-90B4-466D-8B51-DF427AB29B53/UKEnergyCosts>

The Prime Minister Liz Truss started by laying out the measures taken to help households and businesses to bear the cost of risen electricity bills. She then said the aim was to make Britain more self sufficient in energy, in particular by building small nuclear power stations and by removing the ban on fracking. She further expressed the wish that electricity prices should be decoupled from the price of gas, without explaining how that could be done:

“Renewable and nuclear generators will move on to contracts for difference, to end the situation in which electricity prices are set by the marginal price of gas. This will mean that generators receive a fair price that reflects their cost of production, further bringing down the cost of this intervention.”

Starmer’s reply, notable for opposition to fracking and demand for a windfall tax:

I thank the Prime Minister for advance sight of her opening speech.

We are in the middle of a national emergency. People are really scared, families do not know if they can warm their homes this winter and businesses ask if they can keep the lights on. That is why the

Labour party spent the summer fighting for a price freeze, so that no household would pay a penny more on their bills. When we called for it, many people said we were wrong. They pretended that this crisis was something that just affected the poorest, as if working families on average wages could easily shoulder astronomical bills. They dismissed our call for support as “handouts”. But those objections could never last; the Prime Minister had no choice. No Government can stand by while millions of families fall

into poverty, while businesses shut their doors and while the economy falls to ruin. So I am pleased that there is action today and that the principle of a price limit has been accepted, but under our plan there will be not a penny more on bills; under this plan, there will be a price rise.

This support does not come cheap. The real question before the House today—the real question the Government face; the political question—is who is going to pay. The Treasury estimates that energy producers could make £170 billion in unexpected windfall profits over the next two years. Let me repeat that: £170 billion in unexpected windfall profits over the next two years.

The head of BP has called this crisis “a cash machine” for his company. Households are on the other end of that cash machine—their bills are funding these eye-watering profits. That is why we have

been calling for a windfall tax since January, and it is why we want to see the windfall tax expanded now, but the Prime Minister is opposed to windfall taxes. She wants to leave these vast profits on the table, with one clear and obvious consequence: the bill will be picked up by working people. She claims that a windfall tax will deter investment. That is ridiculous. These vast profits are not the reward for careful planning. They are the unexpected windfall from Putin’s barbarity in Ukraine. There is no reason why taxing them would affect investment in the future.

Do not just take my word for it. Asked which investment BP would cancel if there were a windfall tax, the chief executive said, “None”—his word, not mine. The Prime Minister’s only argument against the windfall tax falls apart at first inspection, laying bare the fact that she is simply driven by dogma, and it is working people who will pay for that dogma.

Jacob Young (Redcar) (Con)

Does the right hon. and learned Gentleman accept that this Government have already introduced a windfall tax, and energy companies today are paying 65% on their profits? What would he rather see that tax set at?

Keir Starmer

We are talking about what happens this winter and next. If the hon. Gentleman does not understand—[*Interruption.*] I

will tell him something. Every pound the Prime Minister's Government refuse to raise in windfall taxes, which is leaving billions on the table, is an extra pound of borrowing. That is the simple, straightforward argument. Every pound that she leaves on the table is an extra pound of borrowing, loading the burden of the cost of living crisis onto working people who will have to pay back for years to come.

This is the basic political divide. The Government want to protect the excess profits of the oil and gas and energy groups; we want to protect working people.

I would be absolutely amazed if Government Members have not picked that up. Ask voters whether they think it is fair that they pick up the bill, rather than those companies that made profits they did not expect to make. There is only one answer to that question. It is a very simple question of whose side are you on.

I am afraid this is not a one-off. Not only is the Prime Minister refusing to extend the windfall tax; she is choosing to cut corporation tax—an extra £17 billion in tax cuts for companies that are already doing well. That means handing a tax cut to the water companies polluting our beaches, handing tax cuts to the banks and handing a tax cut to Amazon. She is making that choice, even though households and public services need every penny they can get. Working people are paying for the cost of living crisis, stroke victims are waiting an hour for an ambulance and criminals walk the streets with impunity.

It is the wrong choice for working people; it is the wrong choice for Britain.

[...]

I am grateful for that intervention. It comes down to this basic point. All hon. Members recognise that profits are needed for investment in all businesses, but in this case these are profits that the companies did not expect to make. When the chief executive of BP says that the windfall tax would not deter any investment, it is a bit rich for Government Members to say that he is completely wrong. He is the chief executive of BP. He has made his case and it is the complete opposite of the case the Prime Minister is trying to make.

The immediate cause of this energy crisis is Putin's grotesque invasion of Ukraine. We stand united in our support for Ukraine. If we are to defend democracy, defeat imperialism and preserve security on our continent, Putin's aggression must fail. Whatever our political differences, the Prime Minister will always have my full support in that common endeavour. But we must ask ourselves why we are so exposed to changes in the international price of oil and gas. Why are we so at the

mercy of dictators able to pull the plug on wells and shut down pipelines? Why is there such a fundamental flaw in our national security?

It is about a failure to prepare, a failure to increase our energy independence and a failure to rapidly decrease our reliance on fossil fuels. The Conservatives banned onshore wind in 2015, and that cost us clean energy

capacity equivalent to all our Russian gas imports in recent years—a policy disaster. The Prime Minister has been consistently opposed to solar power, the cheapest form of energy we have, and she has been consistently wrong. It is not just what the Prime Minister said in the heat of her leadership campaign this summer. When she was Environment Secretary, the Government slashed solar subsidies and the market crashed.

[...]

I take it from that intervention that the hon. and learned Gentleman does not quarrel with me that the ban on onshore wind since 2015 has been a policy disaster, along with the opposition to solar power.

[...]

I am grateful for that intervention and I will deal with it in full, because it is a very important point. Nuclear is vital to our future, and a new generation of power plants should have been built by now. Yesterday, the Prime Minister desperately tried to blame Labour, and that intervention goes to that point. I remember the exchange across the Dispatch Box in 2006 when Prime Minister Blair said that he was pro-nuclear, and the Leader of the Opposition, David Cameron, did not know where to look. If Members have not seen the clip, they should have a look. The uncomfortable truth for Members opposite is that the last Labour Government gave the go-ahead for new nuclear sites in 2009. In the 13 long years since then, not one has been completed.

What was the Conservative

party's position on nuclear when David Cameron was asked the question in 2006? He did not have a position on it. I think the right hon. Gentleman is wrong about the £170 billion. If there is any doubt, I invite the Treasury to disclose the documents so that we can all evaluate them.

[...]

That is the fundamental choice and the fundamental divide in the House. Let the Conservatives defend their position of protecting those excess profits, and we will defend our position of standing up for working people.

Let me turn to home insulation, which reduces energy consumption like nothing else. We have the draughtiest homes in Europe. The last Labour Government set about fixing that. Then the Conservative party said, "cut the green crap", and the whole project all but collapsed. Installation rates fell by 92%—utterly short-sighted, and costing millions of households £1,000 a year on their energy bills right now.

The Prime Minister is right to recognise that immediate support needs to be combined with longer term action. Fracking and a dash for gas in the North sea will not cut bills, nor strengthen our energy security, but they will drive a coach and horses through our efforts to fight the looming climate crisis. The Prime Minister should listen to her Chancellor, who is sitting next to her. What did he have to say on fracking just a few months ago? I see him leaning forward. This is a long quote, and I have

tried to cut it down, but every sentence is worth repeating.

"Those calling for its return misunderstand the situation we find ourselves in...if we lifted the fracking moratorium, it would take up to a decade to extract sufficient volumes—and it would come at a high cost for communities and our precious countryside."

Those are his words. I will go on, because this is so good. He said, just a few months ago:

"Second, no amount of shale gas from hundreds of wells dotted across rural England would be enough to lower the European price any time soon."

He went on:

"And with the best will in the world, private companies are not going to sell the shale gas they produce to UK consumers below the market price. They are not charities".

Spot on, Chancellor.

What did the Chancellor have to say about North sea gas at the same time? He said that,

"additional North Sea production won't materially affect the wholesale price".

Indeed, earlier this year his previous Department helpfully put out a series of Government myth-busting documents. Here is one of them—Chancellor, your document:

"MYTH: Extracting more North Sea gas lowers prices."

Answer:

"FACT: UK production isn't large enough to materially impact the global price of gas".

I have a copy for the Prime Minister.

We do need to carefully manage our existing resources

in the North sea, and the industry has an important role to play in our future as we transition to a different form of energy, but doubling down on fossil fuels is a ludicrous answer to a fossil fuel crisis. If all countries took the approach advocated by the Prime Minister's new Energy Secretary of squeezing "every last drop" out of their fossil fuel reserves, global temperatures would rise by a catastrophic 3°. That would be devastating for our planet and for future generations, and it is totally unnecessary.

New wind and solar power are now nine times cheaper—nine times cheaper! We need a clean energy sprint, urgently accelerating the rollout of offshore wind, onshore wind, solar, nuclear, hydrogen, and tidal. Last year, I set out a new national mission to insulate 19 million homes and cut bills for good. If the Government had taken me up on that challenge, 2 million homes would already be insulated by this winter.

Britain needs a fresh start. We need a Government who will never leave working people to pick up the tab for excess profits in the energy industry. We need a Government who plan for the long term rather than leaving us badly exposed to the whims of dictators, and we need a Government who will drive us forward to energy independence rather than doubling down on fossil fuels. The change we need is not the fourth Tory Prime Minister in six years; it is a Labour Government.

Ukraine's Borders

By Eamon Dyas

An aspect of Gorbachev's disastrous arrangement with NATO on German reunification was the implications it went on to have for the borders between Russia and its post-Soviet neighbouring countries. However the continuing existence of that border arrangement would not have been so problematic had the US honoured the unwritten agreement with Gorbachev not to move NATO eastwards. It was only when that agreement was dishonoured by Clinton that those Soviet era borders became such a problem for Russia.

It's interesting to see one of the Romanian political elite now looking at this issue from the perspective of Romanian nationalism. That this aspect of the post-Soviet geographic inheritance cannot be done without opening up its implication for the current Russian-Ukrainian conflict makes it such controversial subject for Kiev. No wonder that it's trying to shut down discussion on the subject.

But the issue for Russia in all of this is that the same NATO expansion makes it difficult for it to focus its political rationale on a rearrangement of its own borders along lines that take account of the unnatural nature of those post-Soviet borders. The reason for this is that Yeltsin never bothered to undertake such a task when he permitted the break up of the Soviet Union.

It was only at that point when none of the ex-Soviet

republics had yet joined NATO that Russia was in a position to cede Russian territory to those republics as part of a border rearrangement along more natural lines. With those ex-Soviet republics now part of NATO such concessions make it more difficult for Russia to make. I suspect that is the reason why Russia does not now justify a border rearrangement on the basis of the unnatural nature of the Soviet constructed borders.

"Ukraine fumes over 'unnatural borders' claim

September 18, 2022. 4.16 GMT

RT:

Officials defend the "inviolability" of modern Ukraine's Soviet-drawn borders

The Ukrainian Embassy in Romania has accused the EU country's former foreign minister, Andrei Marga, of undermining the *"basic principles of international law,"* after he claimed that the borders of modern Ukraine are *"unnatural,"* and suggested that Kiev should cede parts of its territory to the neighboring states.

The embassy has [voiced](#) its *"regret"* that a former top official of a *"democratic European state"* would make a statement that is not just *"unacceptable under any circumstances,"* but also represents a *"particularly blatant deviation at a time when Ukraine heroically defends its independence and the security of Europe."*

The former Romanian

diplomat made the controversial remark earlier on Saturday at the Alba Transylvania book fair, where he presented his new book *'The Fate of Democracy'* and suggested that leading world powers should come together and agree on a new *"security structure"* in Europe and worldwide.

"We are in a very special situation here, and I take this with all responsibility, Ukraine exists in unnatural borders. It should cede Transcarpathia to Hungary, Galicia to Poland, Bukovina to Romania, Donbass and Crimea to Russia. These are the territories of other countries," he said, listing the regions that were incorporated into then-Soviet Ukraine by the Communists, but which he thinks should be relinquished.

Over the course of the ongoing conflict between Russia and Ukraine, Kiev has repeatedly vowed to return to its control all of the territories it ended up with following the collapse of the Soviet Union.

The situation looks increasingly like a struggle between the American eagle and the Russian bear that has all the potential for mutual destruction, with the European bunny rabbit likely to be crushed in the process.

How long can Europe continue to underpin this madness? But, clearly, the attacks on the pipelines Nord Stream One and Two remove the chances of the opposition gravitating towards a practical alternative.