

Car Crash Politics

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I normally avoid the analogy of car crashes as they frequently involve injury and death but acknowledge that Keir Starmer did exactly this on Monday in Parliament when commenting on Chancellor Jeremy Hunt's axing of most of tax cuts contained in Kwasi Kwarteng's mini budget of 23rd September and who was sacked last Friday.

Wednesday seems to have been a particularly bad day for Truss.

Though Truss's appearance at Wednesday's Prime Minister's Questions was more impressive than the press conference held last Friday.

Last Friday, having ditched the reduction in the 45% tax rate for those earning over £150,000 and, once he'd returned early from the IMF Conference in Washington, sacked her Chancellor Kwasi Kwarteng, someone she was close to both as a friend and ideologically, questions about her future still remained.

However, any relief after Wednesday's PMQs short-lived.

Firstly, in late afternoon, there was the shock of Home Secretary Suella Braverman, because of a "security issue", being forced to resign. As such, and having been in her post for 43 days, she'll be the shortest-serving home secretary in modern political history (Quinn, 2022).

To sack one senior minister is unfortunate. Two in a week looks decidedly dreadful.

Following Kwarteng's departure, Braverman's resignation deprives Truss of another flag-bearer for the right of her party who are turning on Truss, someone they were championing until recently as the leader to ensure they could win the next election.

Braverman's letter of resignation didn't pull any punches and she'll likely become a thorn in Truss's side as a backbench MP. She caustically states that those holding in positions of responsibility who make mistakes but continue "as if everyone can't see that we have made them" and hope matters will "magically" be rectified is "not serious politics".

Braverman adds she's concerned about the "direction" of government and its desire to honour the manifesto commitments it was elected on in December 2019.

This is merely the latest episode in Truss's calamitous period as Prime Minister (PM).

However, if anything Wednesday's vote of fracking, laid down by the Labour Party, and which the government had appeared to regard as a vote of confidence – requiring every Conservative MP to reject – led to what can only be described as disgraceful scenes in the lobby and allegations of physical bullying by the deputy PM, Therese Coffey.

Farcically, Wendy Morton, the Chief Whip for Truss's party, was apparently forced out of Government, resulting in her deputy, Craig Whittaker, resigning in protest at her treatment. However, both were reinstated.

To add to the sense of surrealism, Business Secretary, Jacob Rees-Mogg, who appears increasingly detached from reality, claimed the government of which he's a part, "is functioning well."

All that can be said is that the current government looks utterly precarious and, as many speculate, it can only be a matter of days before Truss is removed which, of course, hardly bodes well for the standing of the party which voted her as leader only a matter of weeks ago.

Unfortunately, things could get much worse economically.

Following the sacking of Kwarteng, a U-turn to end all U-turns taken by his replacement Jeremy Hunt, the country is facing a £40 billion deficit which will necessitate what are predicted to be savage reductions in public spending and, in effect, herald a new era of austerity.

Rather than the tax cuts we were promised, it's certain we're going to be collectively worse off in the foreseeable future.

What's gone on in the past week in Parliament and beyond has been nothing short of a disaster for PM Liz Truss. Whether she will survive until just after New Year's Day to, at the very least, avoid the ignominy of having served the shortest ever period in No.10 looks highly unlikely.

When the history of Liz Truss is written, it's impossible to see how commentators will be able to find anything positive to say about her time as PM since she won the leadership contest held among members over the summer.

However long Truss actually lasts, she'll be remembered for being in the curious position of having seen all the economic policies she campaigned on to achieve the leadership of her party and promising they'd turn around the fortunes of the UK by producing "growth, growth, growth", abandoned.

Coming back to car crashes, there'll be damage to vehicles involved requiring time and expense to fix. However, to avoid the economic consequences of unfortunately being in a car crash, it's a legal requirement to possess vehicle insurance ensuring, penalties applied for being at fault, restitution.

Truss, having tried and failed to implement supply-side/trickle-down economics, based on unfunded tax cuts, has ensured that her party's reputation has been tarnished.

The Conservative Party, traditionally perceived as being committed to prudence and sound economic management is, at present, in tatters.

Sadly, the greatest price to be paid will be collective.

As well as the massive costs which required the Bank of England to intervene to buy government bonds to ensure their price was propped up and thereby ensuring the yield was lowered with the intention of reducing the cost of borrowing, there was the matter of UK pensions having short-term liquidity issues due to LDI (liability driven investment).

Kwarteng's mini budget, which can be presumed to have been energetically supported by his boss the PM, have caused interest rates to have risen rapidly. Those coming off fixed rate mortgages, roughly 300,000 every quarter, will face considerably higher payments for their properties,

It's speculated that if there are large numbers of property owners who find they cannot keep up the payments, there will be a 'fire sale' of homes coming onto the market which will cause house prices to fall. Though I co-authored a book Stop House Prices Rising earlier this year, the message was exactly as the title explicitly suggests; stopping further rises, not a crash which will be psychologically damaging.

Increased mortgage payments will impact on, certainly in the short-term, only those who're coming to the of fixed rate deals. Rates of interest, set by central banks across the globesince the Global Financial Crisis of 2008, were massively reduced. This meant that interest rates paid on mortgages have been, for the last 14 years, been well below the long-term average of about 5%.

This will be the reality of the financial illiteracy practiced by Truss and Kwarteng which, significantly, her chief rival in the leadership campaign, Rishi Sunak, stated would occur if her approach, ‘Trussonomics’ was implemented.

Sunak was not the only one to have warned about the potential for a financial meltdown.

A range of economic advisors, including Gerard Lyons, warned Truss and Kwarteng about the risks contained in the mini budget (Webster, 2022).

If Truss (and Kwarteng) have any sense that they have been badly treated as a result of their ineptitude, their claims are, at best, mistaken.

Truss’s desire to reach the top job in politics blinded her to the risks being pointed out as to her economic ideology that she claimed she’d embark upon if she became leader.

However, the price she is paying is to be an enfeebled PM who now has no other significance that to remain in office for as long as possible.

Truss is a PM without authority, and who has been forced to abandon almost all the policies she passionately defended at PMQs (Prime Minister’s Questions) last week and is now reliant on Jeremy Hunt who she appointed as chancellor to replace Kwarteng.

However, for average citizens – the vast majority of us – the reality is that, financially, things look increasingly grim.

Wednesday’s announcement by the ONS (Office for National Statistics), that CPI (Consumer Price Index) for the twelve-month period to September 2022 is 10.1% (RPI, Retail Price Index, being 12.6%), means that unless household income, primarily in wages and salaries, keeps pace, most will be poorer (Giles, 2022).

Notably, and with importance to the poorest who spend a greater proportion of income on food, this, as well as non-alcoholic beverage prices, rose by 14.6% in the twelve months to September. Though petrol and diesel made the greatest downward contribution to the overall change in the rate of inflation, this will be little comfort to those already feelingsqueezed.

And if this was not bad enough, one of the policies juked by Hunt on Monday will, unless there's a change of heart or an alternative intervention, have huge implications next year for households consuming gas and electricity from energy providers.

Hunt's decision, on the basis of saving money, in ending energy support to all households, apart from those on benefits and 'in need' of assistance, will result in the amount paid by an average household, currently £2,500, increasing alarmingly.

According to analysts Cornwall Insight the average annual bills will be £4,347.69 from April to June (gas at £2,286.70 and electricity at £2,060.99). This means a monthly outgoing for energy of over £360.

For middle income families who may be facing a hefty increase in their energy bills as well as for food and all of the other items which, as the ONS show, have risen, there are very tough times ahead.

Little wonder Suren Thiru, Economics Director for Institute of Chartered Accountants in England and Wales has warned that "double-digit inflation" will place a devastating financial "squeeze" on households and businesses.

The latter, it should be pointed out, and though having some support, do not enjoy the benefit of a price cap and, in some cases, have seen their energy bills rise by a factor of ten.

On top of all the other pressures businesses currently experience, including a spike in materials and labour costs, it's no surprise that those whose margins were tight, and recognising they cannot simply jack their prices up as customers will be unable to, many wonder whether it's worth should carrying on.

Should this happen in large numbers, as well as the reduction in tax take, there's a danger of many thousands being made redundant at the very point that the economy is taking a dip.

We face an economic crisis which could be as frightening as it will be devastating.

What is needed in any crisis is government which is stable and logical in its ability to deal with the issues in a coherent way.

Given the last few weeks since the infamous mini budget, especially in the last week when the PM appears to have ping ponged from one crisis to another, stability and coherence appear to have been in short supply.

Liz Truss, certainly at the time of writing, seems to have survived the economic car crash her policies created.

However, it seems, every time she makes a pronouncement on policy, the question may be asked is if this will happen?

During PMQs the PM states categorically that the State Pension would go up in accordance with the election manifesto – which was broken last year – with the prevailing rate of inflation in September. This will cost an estimated £11 billion and, as had been speculated following briefings by other senior members of the government, pensions and all benefits might only go in line with average wage increase of 5.5% (Wallace, 2022).

However, and as the opinion polls show with remarkable clarity, what she has achieved will possibly result in the mother of all drubbings at the next general election which, under the current rules, does not need to happen until 2024 or very early 2025.

It's hard to see Liz Truss surviving that long but, as most people will claim, they're not bothered about her fate. Rather, they will explain, they'd like to see the increase in prosperity and wealth promised by Boris Johnson in his December 2019 'Get Brexit Done' election.

Whatever we may think of him, and my view aligns with many who believe he should never be allowed to return as PM, at least he achieved a mandate through putting his policies to the electorate.

Truss, in comparison, won against her rival by gaining the support of 81,326 (57.4%) of Conservative Party members against her only rival, former chancellor Rishi Sunak who secured the support of 60,399 (42.6%) members.

Perhaps the greatest irony is that Jeremy Hunt who, having been soundly defeated by Boris Johnson in the 2019 leadership contest which was decided by his party's member, and who on 13th July was eliminated during the Parliamentary Party (Conservative) MPs having received the support of only 18 of them is now effectively the person in control.

As Christopher ‘Chopper’ Hope, writing in a regular email to Telegraph subscribers puts it, under Hunt as UK Chief Executive Officer is moving his party back into the “middle ground of British politics”.

Hope, like most other commentators, assert that whatever the feeling of the more right-wing MPs within the Conservative Party, there’s recognition this provides the best hope of retaining seats and power after the next general election.

Therefore, in the spirit of reversing ludicrous policies, perhaps Hunt could influence his party to row back on the continuing car crash that’s being caused by the phenomenally damaging deal to leave the EU negotiated by Truss’s predecessor Boris Johnson and, undisputedly, is putting British business and its citizens at significant disadvantage.

Let’s face it, this will inevitably happen eventually so why not have the guts to take the decision now?

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