

The Budget statement: the case for telling the honest truth Lord Howell's speech to the Lords 16.03.23

My Lords, it is a pleasure to follow my noble friend Lord Willetts. Like him, I was pleased to hear the maiden speech of the noble Baroness, Lady Moyo. I confess that I am a fan of her books. They move us on from the patronising terms surrounding so-called overseas aid and assistance to the words we should of course use nowadays of “partnership and mutual development co-operation”, and nothing less than that. In fact, a lot of the wording in the whole area of development and the so-called developing world is a leftover from the last century and the original thinking about overseas aid and development from Walt Rostow and the American pioneers and others immediately post the Second World War and in the 1950s.

Effective co-operation and sustaining of links of all kinds in a constant and friendly manner, and with deep mutual respect, with all the countries of Africa, Asia and Latin America, is now the task of every Whitehall department, especially but not only the Foreign, Commonwealth and Development Office. That is why I think it was an error to have had a separate department for overseas development; I know that many do not agree with that, but it is my opinion. Even now, allied with the old FCO, the DfID element is inclined to silo thinking. My own view is that it would probably be best structured along the lines of the Japanese model, through a powerful agency with entrée to every department, or from the Cabinet Office or indeed No. 10 directly. I notice that in the new integrated review refresh, which was published a day or two ago, they say that the Minister should automatically have a seat on the National Security Council, which I suppose half-recognises what I am saying.

Make no mistake: this is no sideshow. This is national strategy of the most intense kind, which will allow us to determine our prosperity and security. As the Chinese and Russians advance their colonisation of the developing world, this leads us to completely new thinking about our friends and networks, and how we use our resources to help them, and it brings forward the Commonwealth network, in particular, in a completely new light. That is a message which I think the new integrated review has not quite grasped.

Coming to the Budget itself, the most notable thing about yesterday's Budget and indeed the surrounding context in which it was delivered was how many sources and authorities have been so spectacularly wrong about the inflation rate, its real causes and the course it is taking. There is the good old Bank of England: hopelessly wrong initially about how and when it would rise—they got it a year out of date—giving a wild underestimate of the pace at which it would accelerate, and wrong, I suspect, about the pace at which it now comes down. Then there were Goldman Sachs economists going on last August about 18% to 22% inflation in 2023—miles out and really quite silly. Then there were the eager monetarist theorists, determined to prove that it was all domestically caused, ignoring the real causes from the energy side. They said it was mostly caused by quantitative easing, which I agree may have played a part, but not the main part, and all demanded higher interest rates to defeat it. And there were armies of both commentators and high officials telling us that high inflation was here to stay, that recession was inevitable and was the only answer. Now, of course, they are all busily revising their inflation figures for the second half of this year.

One can laugh a little, but the damage has been done. These inaccuracies were not harmless. On the contrary, they caused great harm in two respects. First, they led to wrong remedies being applied then, because the real sources of inflation were not understood or were ignored. It was a very different kind of inflation from that which we have dealt with in the past. Secondly, because they sounded unnecessary alarm bells, they gave militant union leaders great opportunities to set their members marching and revive outdated class war rhetoric—an opportunity which Mick Lynch and his like have eagerly seized—and frightened millions of people about even bigger real wage cuts than they are facing already. No one seemed willing to face the obvious: that the sources were overwhelmingly external and lay in soaring gas and oil prices, both long before and during the Ukraine invasion and Russian obduracy. No one seemed to concentrate on the obvious central solution, which was, and still is, short-term world production of more gas and oil.

I admit that it is always difficult for Governments and officials to say that they have been blown off course by foreign factors. Jim Callaghan, who in my view was one of our best Prime Ministers, tried that, and I agree that we on the Tory side gave him no mercy and allowed no excuses. However, being predictably blamed by the Opposition—that is their role and they will always do it—was and is no excuse for not appreciating and tackling the real root causes of our problems, or for failing to realise that in oil and gas markets, and indeed in energy markets worldwide, what goes up always comes down quickly, whatever the circumstances, and always has, in past

oil shocks and in this one too. I remind the House that I was very involved in some of the oil shocks of the last century.

The adjustment to the Russian cut-off and the nastiness since its lawless invasion was bound to be initially painful but has more or less been corrected with full storage tanks—for those who have storage—throughout Europe, plenty of shale gas in America, careful conservation and now the prospect of much more production from all sorts of places around the world. Indeed, the OPEC leaders, after initially being thoroughly unhelpful to consumer nations in the West, are now planning to expand future oil and gas investment unchecked.

The background of global energy transition is of course in the wings all the time, with a steady but very gradual long-term decline in world fossil-fuel demand. However, only fools imagine that we can take undertake the greatest shift in the pattern of world industry of all time in just a few years when it is bound to take decades, and when getting supply out of sync with world demand—incidentally, fossil fuels are still 82% of all energy needs, not just power—guarantees massive volatility, major suffering and political upheaval and reaction, as we have now in this country and in many others.

The missing piece in our national recovery strategy, in both the inflation fight and in our budgetary calculations all along, has been, first, the external side—the role of foreign policy and not enough clever diplomacy in diffusing these vast external measures—and, secondly, the absolute failure to convey into the public mind and debate the acute and continuing seriousness of the situation that we and all like-minded countries now face. Instead of trying to fight every individual grievance and demand, what has been missing overall is a sober and informed reminder of the fact that everyone, for the moment, will have to face hardship. It is the timing of all these widespread demands for real wage repair that is so miserable and unfortunate. Speech after speech, including, I am afraid, from some in this Chamber, demand more for this and more for that, yet this is a time when we have to prepare for more resource to go on what we have already.

If that sounds gloomy, it is, because it is the reality. It is not quite 1940 and we are certainly not under direct attack, but we are, equally certainly, on the edge of a major war, with a mad—actually perhaps he is not mad, but certainly threatening—Putin in Moscow talking about nuclear use against us, and with us still in the recovery ward after the largest pandemic in world history, which it was by far in population terms, and from the impact of the Ukraine horror itself, including a substantial rundown of our entire armoury to help the gallant Ukrainians. There is no end in sight for that, and an invasion of Taiwan is likely just ahead on the horizon. In essence, we are

on a war footing, as the noble Lord, Lord Skidelsky, has repeatedly warned this House.

In these circumstances, the message should simply have been that, while inflation is coming down as fast as it went up, there has to be a timeframe for recovery. It should have been clearly and repeatedly explained that, in due course, much better pay for nurses is entirely desirable and the same goes for doctors, junior and senior, ambulance teams and the rest. There is even no objection to train drivers being enriched—although I personally think that bus drivers do a much tougher job—nor young barristers, physiotherapists nor anyone else, nor to ensuring really good and safe pensions for all of them.

However, and this is the core of it, those better conditions that we all want to see must wait for the duration—“the duration” is a phrase that was used during the Second World War. We will and can recover and find the resources to make good for all who deserve it, just as Beveridge in the last, darkest days of the Second World War said we could do, but not yet.

One-off payments for one-year awards, which are being talked about, may be justified in some cases, but only just. We may even come to our senses in all parties that may form a Government and make sure that modern capitalism works for all, and that millions of earners become owners en masse, with the dignity and security of capital to support every family. Meanwhile, for the duration, as in the darker times of war in the past, there are going to be difficulties and problems all around. I would have liked to have seen much more emphasis on that central message in the Budget—indeed, in all the statements by Ministers and opposition leaders as well—than I can detect, because that is the honest truth.

As for more investment, which is of course the key to our future strength and living standards, and to our fully generous support for the weakest in our society, I obviously hope that the Budget measures will enable more growth, investment and innovation. Perhaps the capital allowances will help. One sort of investment we could do without but which, regrettably, the Government seem poised to make is for another large-scale nuclear reactor at Sizewell in Suffolk, based on a replica design called EPR which has an utterly miserable provenance and a dud history. The official estimate for Sizewell is £20 billion, with readiness in about 2035; it is much more likely to be £30 billion and several years after that. Smaller, new-technology reactor sets, which were mentioned in the Budget, could be in place much sooner and with private instead of public money. That is the nuclear way forward, as my noble friend Lady Moyo mentioned in her maiden speech.

That colossal new expenditure, almost secretly sliding through, should be for future debate—very soon and, I hope, in this House. In the meantime, let it be explained honestly, openly and repeatedly to all the most deserving, to the strikers inflicting present misery and smashing the rights of others, and to the millions still suffering from crippling cost of living pressures that rewards and better days will come—but not, as most of the nation in past times understood intuitively, for the duration of the present world crisis that we are in and must, as a priority, overcome.
