

Tories must become the different party

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In the long run we are all dead, wrote John Maynard Keynes, one of Gordon Brown's (and this writer's) favourite economists. After the Prime Minister's performance at his press conference yesterday, his Government might be as good as dead, long before the long run plays out.

Faith in his integrity was shaken when he insisted that he hadn't looked at polling data before abandoning plans to call a general election: it might well have been shattered when it turned out that Labour's fund-raising antics make peerages-for-pounds seem, by comparison, a good, honest way to raise cash.

Pile this fiasco on top of Northern Rock and the lost discs and it might seem foolish to think about a longer-term issue: the effect of the economy on a general election, now most likely in 2010. If the Labour Party decides that it should allow Gordon Brown to lead it into the general election, given the burdens of sleaze and administrative incompetence he will be totting around the campaign trail, Brown will do what he always does when pressed against the wall. He will trumpet the prosperity the nation enjoyed since he took over Britain's

economic policymaking. So, barring any further disasters, the coming general election might well turn out to be about "the economy, stupid", the sign Bill Clinton's public relations guru and attack dog, James Carville, posted at campaign headquarters.

The Tories are clever enough not to be seen preparing for a recession, but they surely will not read their garments if the economy does hit a bad bump in 2008 and 2009. They might get their secret wish. Credit markets are functioning badly, if at all; banks are finding it difficult or, in some cases, impossible to raise cash after weakening their balance sheets with write-offs, and the housing market - at least the lower end and buy-to-let sectors - is a basket case. Confidence has not been helped by the tax policies of an unimpressive chancellor and the picture of the nation's leader lurching from disaster to disaster.

Even so, Brown can put to the electorate this question: are you better or worse off than when I took over as Chancellor? The answer for most is that they will be better off, even after a slowdown. Brown can rightly claim that he presided over an extended period of prosperity. Sure, some of that was due to the luck of being in office during a worldwide economic expansion. No matter: Brown will take credit and also attempt to blame any problems in the British economy on the turbulence in America's sub-prime mortgage market. Credit good news to Downing St, had news to Wall Street.

Voters are eager for an

alternative to a tired Labour Party. The Tories' problem is that they won't have very much to offer when it comes to running the economy. Never mind that any good ideas - and even bad but popular ones such as reducing inheritance tax - will have been stolen by whoever replaces poor Alistair Darling.

More important is the box into which the Tories have put themselves by promising to spend as much as Labour if they are

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entrusted with the keys to the Treasury. They have also promised not to lower taxes lest, and this is the risible excuse, lower taxes produce economic instability. They have promised to follow the same tax-and-spend policies that Brown has inflicted on a public groaning under the burden of successive tax increases, watching its money disappear without any significant improvement in public services. Offered a choice between two

parties that intend to tax them until the pips squeak and divert funds from the efficient private sector to the wasteful public sector, voters might just as well vote for the original, rather than a carbon copy.

Paradoxically, Brown's advantage might increase if the trauma in the financial markets does produce a slowdown. For the Tories will have looked themselves into a set of policies that will make it difficult to explain why they, and not Labour, are most likely to revive a stalled economy.

Gordon Brown forgot to consult two sources dear to his heart: the Bible and Bloomsbury. Had he recalled his Genesis, he would have known that Joseph won fame by persuading the authorities to use the resources garnered in the seven fat years as a hedge against the seven lean years. Or he might have consulted his dog-eared copy of Keynes, who urged government (stepped-up spending, tax cuts) to stimulate a sagging economy.

But Brown did not use the fat years to prepare for the lean, or put the nation's finances in shape to permit an increase in the deficit. The Chancellor reports that borrowings since April are at their highest level in 13 years and that corporate tax receipts are falling below expectations.

Public sector net borrowings, at £24.2 billion, are at their highest level for the first seven months of the fiscal year since 1994-95. Just as the economy is slowing, the Government will be cutting spending - a necessity after the

recent spending binge. Keynes will whirl in his grave. At the same time, the Government will be unable to cut taxes lest the deficit sears, creating problems for sterling. Meanwhile, with oil prices rising and worldwide pressures causing higher food prices, any cut in interest rates might trigger a round of inflation. Besides, cutting interest rates in an economy headed towards recession is very often like pushing on a string - you can lower rates and make it more profitable for a businessman to make an investment, but you can't force him to make it.

One would think that in such circumstances voters would hurt out those who were in charge when Joseph's wise words were ignored. But they will be faced with much of a ratchets from the Tories - a pledge to keep to the fiscal policy laid out by Labour, at least for the immediate future. So let's hope the economy overcomes its ills and that the Tories decide it to offer than allowing spending to grow and keeping taxes at levels that will sooner or later stifle work and risk-taking.

Unless, of course, the voters don't believe it's the economy stupid, but instead, to borrow from an American politician, "it's time for a change". Unfortunately for Tory students of history, that slogan didn't get Tom Dewey very far in his effort to unseat Franklin D Roosevelt, who went on to win his fourth general election.

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