

Brown must stop sounding like a sore winner

The Prime Minister has triumphed for now with his grand rescue plan, says **Irwin Stelzer**. But that is no reason to blame the crisis on America. It may be a reason for an early election

I was born for this moment,' Gordon Brown is said to have told a small group at a recent dinner party. The Prime Minister is too keen a student of history not to have known that he was parroting Winston Churchill's famous remark on becoming Prime Minister in 1940, 'I felt... that all my past life had been but a preparation for this hour and for this trial.' Perhaps it was reasonable of him to contend that the current financial crisis is as dire a threat to the British way of life as Adolf Hitler, perhaps not. But why quibble? The Prime Minister is entitled to his bump in the polls, the new spring in his step: 'a dour man rejuvenated by the gloom', according to my *Sunday Times* colleagues. The nation certainly faces a grave economic threat, and Brown has reason to feel he has risen to the occasion with a plan that might prove every bit as important as his long-ago decision to grant the Bank of England partial independence.

The Prime Minister's plan to recapitalise the banks goes straight at the problem in a way that other rescue plans do not. Plans to guarantee savers' deposits might prevent runs on some banks, but in the end will do little to get the major banks to lend again. US Treasury Secretary Hank Paulson's original \$700 billion plan to buy dicey IOUs now on the banks' books will do nothing to add to the banks' capital unless he overpays for those assets, which he says he will not do. So he has now agreed to devote some of the funds to a Brown-style investment in nine leading banks.

Score one for the world-leading Prime Minister, who realised before most of his counterparts the need to recapitalise ailing banks. That's why he told Britain's banks to raise more capital in the market if they can, and that he will force-feed them taxpayer money if they cannot — and restrict bonuses, dividends and golden handshakes. The end result will be banks with sufficient capital to avoid going bust when they write down assets that are now wildly overvalued on their balance sheets. But here as elsewhere there is no free lunch: government-run banks are likely to be too cautious to provide credit of the sort an expanding economy will need.

But that is for a later day. As will be the realisation by voters, relieved now that the crisis seems to be under control, that Gordon Brown crafted the regulatory sys-

tem that failed Britain, and was in charge of the nation's economy when the credit bubble was inflating, in part a response to the disincentives to save built into his expanded welfare system. His recent triumph — and it is that — cannot obscure the fact that Brown's wild tax-spend-and-borrow policies made it difficult for the Bank of England Governor Mervyn King to cut interest rates without increasing the threat of inflation, and make it more likely that the nation will pay for the Brown plan with a falling pound and future inflation.

It would also add to Brown's lustre if he could resist the temptation to be a sore winner. His repeated assertion, happily echoed by his new euroland friends, that Britain's — and the world's — ills originated in America is both untrue and an unnecessary deterrent to future co-operation. How American banks somehow forced Britain's banks to take on all those risky bits of paper remains unexplained.

This American can't help noting the difference between our systems of managing the economy. In my country, Fed chairman Ben Bernanke acted decisively and with imagination to work with the Treasury and Congress to cope with the emerging crisis. Such co-ordination was a long time coming in Britain.

The American President and his Treasury Secretary were forced to negotiate with the Democratic Congress in order to get a recovery plan in place. The British Prime Minister and his Chancellor knew no such constraints on their power to do what they thought necessary. The opposition was simply irrelevant.



'The lightbulbs are going out all over Europe...'

The shadow chancellor finds this frustrating. He would have cherished this opportunity to show that he, too, is made of the right stuff. Instead he found himself dealing with a Prime Minister who had no intention of consulting the opposition in return for its support, and is said to be more than a little rude to his counterparts. To Brown, the political is the personal. Or, as Matthew Parris has put it, 'He dislikes David Cameron, detests George Osborne, hates and distrusts all Tories on principle...'. So it was only 30 minutes before revealing the rescue plan that Alistair Darling was permitted to provide his counterpart with a sketchy outline.

Surely it is the prospect of power — the ability to decide and implement — that keeps this shadow chancellor at it. But it is more than that. He seems increasingly to fit Gordon Brown's description of the sort the nation needs, 'a serious man for serious times', thinking hard about how to reconstruct the UK's financial governance system to avoid drowning the nation in red ink. Osborne will inherit a fiscal mess — spending out of control, the balance sheet groaning under the burdens imposed by the various measures to break the credit logjam, newly minted ministers with their own plans to spend. He and David Cameron have themselves partly to blame: their plan to share the proceeds of growth with the public services implies that those inefficient claimants on the taxpayers' money need still more funds.

Enter Osborne's plan for a commission to monitor public spending, one that has produced a derisive reaction from some critics, among them this writer. After all, if the Tories are given the keys to Numbers 10 and 11, the voters will expect them to produce responsible budgets, not turn the chore over to an unelected commission.

But reflection suggests that there just might be more to this proposal than the abdication of responsibility. The commission will not have the power to tax or to spend. It will have the power to announce whether the chancellor is on course to meet whatever commitment he makes to reduce the national deficit. If the commission consists of respected heavyweights — send suggestions directly to the shadow chancellor — its pronouncements will give Osborne a weapon to wield in Cabinet when colleagues come up with a brilliant proposal to fund a new education project, or infrastructure scheme, or to increase funding for the military. All worthy, but only some affordable.

As I consider the role of the shadow chancellor I am reminded of the *Sundance Kid's* advice to Butch Cassidy. 'You keep on thinkin' Butch, that's what you're good at.' That's about all poor Osborne can do just now. Meanwhile, Brown just might decide that it doesn't get any better than this, and seek to turn applause into votes before the recession really bites.

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