

Britannia Unhinged

by GWYNNE DYER

‘The Queen’s final act of service to the nation was to selflessly buy the economy one last fortnight,’ said one tweet when all four wheels finally came off the British economy.

The Queen’s death and funeral took up the first twelve days of Liz Truss’s tenure, so the new Prime Minister’s work of destruction could not get properly underway until last Friday. Then, however, Truss and her faithful sidekick Kwasi Kwarteng, the new Chancellor of the Exchequer (finance minister), got to work with amazing speed.

Kwarteng’s ‘mini-Budget’ was a suicide note that virtually guarantees defeat for the Conservative Party at the next election, two years from now. There is growing doubt that Truss’s government can even survive that long.

She is the fourth Conservative prime minister in the past six years, and at each turn of the wheel the party she currently leads has grown more mutinous. Moreover, it did not choose her as its leader.

That choice was made not by her fellow Conservative members of parliament but by the party’s 160,000 paid-up members, who tend to be old, white, non-urban and very ideological.

What drew them to her was her fanatical devotion to the cause of lower taxes and a smaller state, as exemplified in a book she and Kwarteng co-authored ten years ago called ‘Britannia Unchained.’

So as soon as the Queen’s obsequies were safely past, she and Kwarteng gave them what they longed for: a Budget that is the political equivalent of asset-stripping. It contains unfunded tax cuts, mostly to the benefit of the rich, of around \$50 billion a year.

Where will the money come from to make up the lost tax income, plus an extra £65 billion to help voters cover horrendously high energy costs this winter due to the Russian invasion of Ukraine?

Why, they’ll just borrow it all. All that extra spending will allegedly boost the growth rate of the British economy from an average of 1.5% a year to 2.5%, and the extra tax revenue will easily cover that.

At least that’s what Liz Truss believes, in the firm belief that she is walking in the footsteps of her heroine, sainted former prime minister Margaret Thatcher. She is not.

The Blessed Margaret cut taxes, but she also cut government spending. The Truss-Kwarteng partnership is spending like a drunken sailor on shore leave. It’s not ‘Britannia Unchained’; it’s ‘Britannia Unhinged.’

The sad news for Truss and Kwarteng is that the ‘free market’ they so revere isn’t stupid. The value of the British pound is already collapsing. Former US Treasury secretary Larry Summers says, ‘My guess is that the pound will find its way below parity with both the dollar and the euro.’

Meanwhile, investors look at Truss and Kwarteng’s business model, do the math, and flee. In the words of Paul Donovan, chief economist at UBS Global Wealth Management, they now see the Conservative Party as a ‘doomsday cult.’

And as interest rates soar to fight runaway inflation, millions of Britons find they cannot afford to pay their mortgages. The poor cannot even afford to feed their children. The strikes and protests proliferate.

It’s probably around this time – midwinter, say – that the next rebellion occurs in the Conservatives’ parliamentary party. However,

changing horses would make little difference unless the policy changes. It wouldn't.

The International Monetary Fund (IMF) has already issued its first warning to the United Kingdom to get its house in order. Larry Summers accuses the British government of 'behaving like an emerging market turning itself into a submerging market,' but Truss is not shifting.

It's a bit like the slow-motion car crash that brought the Sri Lankan government and economy down, which took more than six months from start to finish. Liz Truss's government will not last a year, and the Conservative Party may then split, leading to an early election (due anyway by 2024).

The Labour party is already seventeen points ahead in the polls, and its lead may even widen. It will be a wild ride, but the next British government will be led by Labour, which will rapidly reverse everything that Truss aspires to do.