

Britannia Unchained
Global Lessons for Growth and Prosperity
Kwasi Kwarteng MP for Spelthorne
Priti Patel MP for Witham
Dominic Raab, MP for Esher and Walton
Chris Skidmore MP for Kingswood
Elizabeth Truss MP for South West Norfolk
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This is what we might call the manifesto of the group of free marketeers¹ within the Conservative Party which briefly had nominal control of British economic policy this year.² *Lobster's* site creator and manager, Ian Tresman, sent me this and suggested I review it. Well, review it I could not do except at great length. It is full of generalised claims and unsupported assertions; and a serious review would take days of work to check them. It doesn't deserve all that effort. However I can make comments having given some of it a thick skim.

These paragraphs from pp. 2-3 are fairly typical.

In Britain, there has been too great a tendency to attribute results to fortune or background, coupled with a general reluctance to take hard decisions on economic policy. Britain has also suffered from a diminished work ethic and a culture of excuses.

In twenty-first-century Britain, more people look to others to solve their problems. The dependency culture has grown dramatically. By February 2012, 5.7 million people of working age in Britain were collecting some kind of benefits. At over 13 per cent of the working population, this is one of the highest proportions in the OECD. . . .

The 1980s, contrary to the beliefs of many on the left, were a

¹ Several – and possibly all – of the authors have been associated with the cluster of propaganda outfits based at 55 Tufton Street in London. There is a very nice and informative portrait of these groups in a short film at <<https://www.youtube.com/watch?v=IRDLIOME47c>>.

² See, for example, the view in Politico at <<https://tinyurl.com/2bppb98h>> or <<https://www.politico.eu/article/conservative-libertarian-brexiteer-cult-wont-be-dead-for-long-liz-truss/>>.

successful decade for Britain. They were a time when, after the industrial chaos of the 1970s, business and enterprise began to flourish once more.

Re: para 1 above: But it simply is a fact, is it not, that in Britain 'results' – certainly income and wealth distribution – are largely due to 'fortune or background'. The presence of Patel and Kwarteng here, the children of immigrants, does not falsify that general claim.

Re: para 2: 'One of the highest proportions in the OECD' – yes, but how high? Why do the authors not tell us the actual position? Where are the stats on this? I checked. Yes, the UK is towards the higher end of the table but lower than Germany, Finland, Ireland, Austria, Australia, France and Belgium.³ Which tells us what? The authors imply that we have become a nation of skivers – 'a diminished work ethic'. But other interpretations are possible, beginning with: how many million unemployed are in that figure? And how many chronically sick?

Re: para 3: As for the 1980s being a 'successful decade', it was for some – notably in the City of London – but not for many others as Mrs Thatcher's policies destroyed a quarter of manufacturing.

And then there's this on p. 3.

We have to ensure that the general climate for business is attractive. This means that we should stop indulging in irrelevant debates about sharing the pie between manufacturing and services, the north and the south, women and men.

So much for regional policy then, let alone the issue of the City versus industry!

The 1970s would be seen as the nadir of British decline. British society was falling apart, as governments of both left and right found themselves squeezed between trade union power and growing inflation. (p. 8)

Of course they don't mention that a large part of the blame for the inflation lay with the Conservative government of Edward Heath and its loosening of the controls on the money-lenders, with the ensuing credit explosion and inflation. Heath, lest we forget, was also 'going for growth'. But 1976 was also the year when the British were happiest;⁴ and the late 1970s was when the UK was its

³ <<https://www.oecd.org/social/social-benefit-recipient-database.htm>>

⁴ <<https://tinyurl.com/2ka97x35>> or <<https://www.independent.co.uk/news/uk/this-britain/1976-when-national-happiness-peaked-64679.html>>

least unequal.⁵ The 1970s is a more complex proposition than simply unions, strikes and inflation.

Between 1995 and 2007, UK real GDP per hour grew faster than France, Germany and even the United States. (pp. 8/9)

What, things were better under John Major and Tony Blair than during the Thatcher years? You might think this would give our authors pause, but it doesn't.

It all seemed very different at the turn of the millennium. At the height of the dot com boom Britain could do no wrong. Its flexible economy flourished, easily outpacing the performance of our European neighbours. Never before had the country been so rich. New Labour could afford to pour record investment into public services, *all paid for by taxes from world leading financial services*. Waiting lists for hospitals continued to drop. Pupils seemed to set new exam records every year. (emphasis added) (p. 12)

But this wasn't 'all paid for by taxes from world leading financial services'. I asked Google what percentage of taxes was currently paid by the financial sector and this was the answer:

Taxes on the financial services industry raised £28.8 billion in 2020/21, 4.1% of all taxes collected that year according to data from HMRC.⁶

It may have been different a few years ago, but not that different. Even the City's propagandists have never claimed it paid more than 10% of total taxes.⁷

There's a whole chapter on Canada's approach to state spending in the 1990s. A Conservative government was in office when this book was published in 2012 and then Prime Minister David Cameron and Chancellor of the Exchequer George Osborne were also much taken with the Canadian example. It had less to do with economics than with politics. Looking around for a justification for big cuts in government spending (required, they believed, because they wouldn't put up taxes, or tax the banks which had created the

⁵ See <<https://equalitytrust.org.uk/how-has-inequality-changed>>.

⁶ Data from <<https://researchbriefings.files.parliament.uk/documents/SN06193/SN06193.pdf>>.

⁷ See for example, <<https://tinyurl.com/muk3ecba>> or <<https://www.cityoflondon.gov.uk/supporting-businesses/economic-research/research-publications/total-tax-contribution-of-uk-financial-services>>:

' . . . the report underlines the importance of the sector as an asset to the UK economy, employing 3% of the workforce (1.1m workers) and 10% of taxes.'

mess), Osborne and Cameron came across the example of Canada in the 1990s, which seemed to show that economic cuts led to growth. It was a bit like pruning a bush, perhaps: cut it back and you get lots of new growth. *Voila!* They had a rationale for the cuts they intended.⁸ Of course it didn't work. If we are generous we could say that they hadn't understood what happened in Canada – centrally that the Canadian changes didn't take place during a global recession; and the academic research which seemed to support it was subsequently shown to be false.⁹ The British attempt to emulate Canada is omitted entirely from David Cameron's memoir *For the Record*.

Our authors tell us:

At the beginning of this millennium, Canada chose to liberalise its economy, to pay down its debt and to raise the standards its education system. The UK made the opposite choice. (p. 37)

This, the authors think, explains Canada's relative economic success. In so claiming they ignore what they have written three pages earlier. There they offer this as the reason for Canada's success:

One answer is that Canada enjoys a far more diversified economy than most other countries in the West. Although it enjoys a sizeable services sector, the country also owns important farming, manufacturing and energy industries. During the recession, the downturn in the rest of the economy was partially stabilised by the ongoing boom in commodities such as oil, gas and minerals. Continued demand from the growing Asian economies ensured that exports remained 50 per cent higher than during previous recessions.

Yes: oil, gas, timber, the prairies and proximity to the largest economy in the world might have had something to do with it!

Israel also looms large in the authors' vision of where Britain should be going. It is lauded for the successful hi-tech sector of its economy. Missing, as you might expect, is any reference to the annual US subsidy of Israel, which now totals \$150 billion.¹⁰

⁸ I commented on this *Lobster* 65 at <<https://www.lobster-magazine.co.uk/article/issue/65/the-view-from-the-bridge-28/>> under subhead **What do Osborne and Cameron think they are doing?**

⁹ See <<https://www.bbc.co.uk/news/magazine-22223190>>.

¹⁰ 'To date, the United States has provided Israel \$150 billion (current, or noninflation-adjusted, dollars) in bilateral assistance and missile defense funding. At present, almost all U.S. bilateral aid to Israel is in the form of military assistance; from 1971 to 2007, Israel also received significant economic assistance.' <<https://sgp.fas.org/crs/mideast/RL33222.pdf>>.

On p. 110 they write this:

In 1968, 425,000 new houses were being built a year. Restrictive planning regulation ensured that that number dropped until, by 2010, despite a larger population and smaller families, just 100,000 houses were added.

And no reference to the various Conservative governments since Mrs Thatcher killing off the building of council housing and encouraging the sale of the existing stock.

And there, I confess, I gave up. It is mildly interesting to see what the Truss-led faction believe. It's pretty much what you would expect from people in the grip of a theory: look at the bits which support the theory and ignore all the counter-factual evidence.¹¹ A recent review in the *Financial Times* put it like this:

The book alternates between *Daily-Mail-comment-box* level economics, relying on cherry-picked facts without context, and what can only be described as haranguing of the feckless and lazy.¹²

¹¹ For a rather prescient contemporaneous review by then Labour shadow cabinet member, Jon Cruddas, see <<https://tinyurl.com/2p9yadzf>> or <<https://www.theguardian.com/books/2012/sep/27/britannia-unchained-global-lessons-review>>

¹² <<https://www.ft.com/content/f265c9af-62b7-4b1c-ade8-61634ea92e02>>.