

Lord Howell – Budget speech 11.11.24- Very dangerous times ahead, and five steps to avoid them. Stand by David Howell’s new book, ‘Avoiding the Coming Anarchy’, out soon.

‘My Lords, like others, I welcome the maiden speech of my noble friend Lord Booth-Smith. It had the additional quality of supreme brevity, which is always welcome in these debates. I had hoped for a moment that we were going to get some extra titbits of life in Downing Street and his role as strategic director, but all we got was common sense. I recommend that he continues with common sense and leaves Downing Street out of it as far as possible.

You would not really sense from this relatively civilised debate that in fact this is a time of enormous danger, for the whole world and for us here. I do not mean danger just of an economic kind but of a physical kind. There is a real threat hanging over the world, vastly amplified by the silicon chip, which has altered and recreated almost every aspect of the modern world. Indeed, some would say that it is the chip and hyperconnectivity that are the major cause of the current tensions, instabilities, violence and evident collapse of the international rule of law.

Some of the most serious minds in today’s world—philosophers and others—tell us that we are on the edge of a precipice, that humankind is looking into the abyss, and many other terms of doom and gloom. This has duly fed through, via a cacophony of populist influences, to the forming of a vast new nexus in world finance, trade and investment, and spending and taxation, which completely changes the axis of political debate and economic policy priorities. That is what we are discussing now: whether this Budget and the thinking behind it responds to and picks up these new, rather frightening realities.

At the centre of it all is the need for a truly enormous increase in investment—both public and private—around the world, and certainly here, while remembering that when it comes to Governments trying to boost investment one needs to recall, as I fear some Ministers do not seem to, that the British economy, like a lot of advanced democratic economies, overwhelmingly, at some 99.2%, consists of small and medium enterprises. If you try to kill them off then the whole economic evolutionary process comes to a sickening halt and withers away. It may be said that small businesses rely on big business, but it is the other way round as well. The big businesses of tomorrow are somewhere in that smaller and medium-sized pattern and its source of innovation. If they are poisoned then the whole of our economic progress is brought to a halt.

This new scene has key components, which I will list not in any order but quickly in my last few minutes. First, the state has most of the infrastructure demands and the private sector has most of the money, so it is perfectly obvious that new ways have to be found for the state and private capital to work together. That is a sort of evolution of what we had at the end of the last century, with the private finance initiative—it failed, but it was the right idea.

Secondly, we need to attract a far bigger flow of foreign direct investment, not least to help with the energy transition which we are embarking on. Thirdly, the sovereign wealth funds long to invest but cannot find the right investment vehicles here in the UK. I declare an interest in that I advise one of them, and I know that that is exactly the position they face at meeting after meeting. Fourthly, there are the pension funds and insurance funds, said to be more than £2.5

trillion, from which the Chancellor says she is seeking to tap surpluses and encourage bolder equity investment. Some 20 years ago, 53% of those enormous funds used to go into the UK and now it is 6%; obviously, that has got to change.

Fifthly, we must greatly widen our own domestic sources of share capital and asset ownership in a way that, crucially, spreads the benefits of capital growth far more than at present to millions of households to enhance their dignity and security. I think that is the next stage in the development of popular liberal capitalism, which we do not seem to be addressing as vigorously as we should. There is certainly not much in the Budget for it.

Finally, there is the overdominance of our national investment allocation and strategy, which must be shifted away from the Treasury. This would not be very popular, certainly not with the Treasury, but it was recommended in the report by the noble Lord, Lord Maude—an excellent document—and in the Harrington report, and by some of us for the last 50 years. Until there is a key shift at the very centre of the government machine, nothing will go quite right on the investment front.

I see all this as common ground for the future. The party to realise that these are the new priorities will be the winner if it gets there first.'