

George Osborne’s Budget Folly



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On Wednesday last week, UK Chancellor George Osborne delivered what has been called the first Conservative budget since 1996. In reality this was a socialist budget, because Osborne is attempting to interfere directly with not simply the economy but business, in particular small businesses with his new **national living wage**. As any Libertarian will tell you, this is voodoo economics. In fact, one has to ask if modern history graduate and former journalist Osborne understands anything about real economics, because with this budget he is pandering to three colossal fallacies:

- 1) that the Bank of England and the banks generally should be allowed to control the money supply
- 2) that full employment is achievable and/or desirable
- 3) that work can and must be made to “always pay”.

Let's take them in that order.

Unfortunately, the first is the conventional wisdom, although it remains to be seen what is wise about it. All societies need to create wealth, which comes ultimately from human action. This wealth is the goods and services we use every day, be it opening a can of beans, a visit to the doctor or a session in the local gym. To use these goods and services we exchange money, ie money goes from the user to the person or business providing the goods or service. We use money because a society as complex as ours cannot rely on barter, although we can and often do barter on a small scale, and sometimes on a **fairly large scale**, but for every day transactions, barter is not an option.

Now here is the catch, under the current régime, human action cannot usually be facilitated without an adequate supply of money. If there is "too much" money in circulation, the price of goods and services will rise. If there is too little, the economy will stagnate, ultimately businesses will go bust and people will lose their livelihoods (something alluded to erroneously as unemployment). So what we need is enough money to keep the economy rolling along smoothly and to allow a steadily increasing flow of goods and services for all as technology advances.

In the UK, the Bank of England is committed to an annual 2% rate in inflation, and to economic growth. Ultimately it is the action of the banks, in particular the central bank – in the UK, the Bank of England; in the US, the Federal Reserve – that cause inflation. A surprisingly **candid admission** of this can be found on the Bank's website:

"The ultimate cause of inflation can really be said to be central banks, like the Bank of England. Their behaviour and actions determine whether inflation is allowed to rise or is kept low – in other words, whether they allow prices to rise unchecked by monetary policy, or whether the central bank seeks to influence the amount of money in the economy."

This sounds relatively easy, 2% is not a lot, surely the Bank can manage that? There are two objections to this, one is that the economy of any nation is extremely complex, so to compute anything is nowhere near as easy as it sounds. The other is that by allowing the banks to create credit and lend (ie sell) it at interest, the central bank is increasing the indebtedness of companies, corporations and society itself to the banking system.

An alternative is for the Bank of England to create all new money itself, debt-free and interest free, this could be **distributed to the Internet**, spent into circulation on public works, and paid to all citizens as unconditional basic income (of which more anon).

The commercial banks would no longer be allowed to create credit; if they chose to still make loans they would be required to lend actual money, money which would come *out* of somebody's account. In short, they would operate on **Islamic principles**.

To make these reforms would require Britain to either withdraw from or negotiate a change in the **Maastricht Treaty**. And there is no way **Bilderberger Osborne** would allow that.

Okay, number 2: is full employment either attainable or desirable? Before you answer that question, here is **a quote from 1933**:

“Mr. Gilbert Frankau, the novelist, [made] a piquant speech [the previous night]... ‘A war would be a great idea,’ he said. ‘Another war would give our three million unemployed ample employment.

I would suggest conscription for this country. It would be immensely popular.’”

Believe it or not, this guy was an Eton alumnus. Anyone else want to generate employment by starting a war? It really is not a good idea, is it? In fact it is an idiotic suggestion. What is the purpose of employment anyway? In economics, one of the factors of production is labour; people who labour (ie work) are said to be employed.

Until robots take over the world and do everything for us (if they don't wipe us out!) labour will continue to be not only a factor of production but an expensive one. So, entrepreneurs employ labour at a cost to carry out whatever it is they need from clearing tables in a greasy spoon café to writing software, and in return for this, these people are paid. Thus there are two purposes of labour – to perform a service, and to be paid for it.

This is all well and good, but there are those people who see employment not as a factor of production and a means for people to provide for themselves and their dependants, but as a moral obligation, an idea that goes back to the workhouse, and indeed a long way before that institution was conceived. The year 1601 saw *An Acte for the Reliefe of the Poore* – yes, that is the correct spelling. The objects of this act **included**:

The suppression of begging

The provision of work

And in particular, the use of county ‘Houses of Correction’ for those who ‘refused or spoilt work or went abroad begging or living idly.’

Now at that time, this was very reasonable, because there was a lot less wealth in the world, and every man had to do his bit. Fast forward four hundred years, and the reality is that there is not enough work to go round, yet the shops are full of goods that the poor would like to but can't afford to buy.

Now let us bring in plank three of George Osborne's delusion, that work must always be made to pay. He seeks to do this by imposing a national minimum wage, a living wage, or whatever he wants to call it. For those at the bottom of society, giving them a mandatory pay rise sounds good, but is it? This proposal has already been heavily criticised, and here is **a rough and ready refutation**. You will find many other videos on YouTube that both explain and debunk the minimum wage.

The reality is that some jobs are not worth the minimum wage, and some people are unemployable under almost any circumstances. Take a gander at the men in this photograph:



one of them is a **journalist**, but the others are *bona fide* homeless. Are they employable? And if so at the minimum wage? Seriously?

This folly is compounded by the fact that many *real* jobs are entirely parasitic and benefit no one but those who do them and those who employ them. This is particularly true of the finance industry. Here is what Tony Levene said in his 1987 book *The Shares Game*:

“For every correct decision made in the stockmarket, there has to be a wrong one.” – page 53.

“Over a long period, the best that anyone with a portfolio can hope for is to do a little better than the average shown by an accepted index...Most professional fund managers do worse than the average. In fact they are bound to do so...As most share trading is carried out by professionals, it follows that they determine the price of each share in the index.” – page 54.

That is clear, isn't it? If you give your money to a professional investor (so-called) to invest on your behalf, he will on average perform no better than the market and probably worse. In fact, most of this investing (so-called) is no better than gambling, indeed it is gambling, for the most part with other people's money. If George Osborne and the Conservative Government were serious about tackling the real problem – not unemployment but people's livelihood – they would make all these parasites redundant, break up all these so-called investment houses, including the *casino* banks. and allow people to manage their own funds, or failing that, allow them to invest in a government run fund that would not be trading every five minutes hoping to buy low and sell high.

The real way to make work pay is **basic income** paid to every citizen as a right. This would destroy forever the poverty trap making even unappealing, poorly paid work – including odd jobs – feasible for the great unwashed. This would also allow the gradual dismantling of the means-tested benefit system, and along with the abolition of the financial services industry would free up enormous sums of money for real investment instead of parasitic speculating. Don't hold your breath waiting for these necessary reforms to be implemented.