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“ COMMENT

# Britain is drifting towards economic oblivion

Boris Johnson has no idea how to navigate the crisis facing this country

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CHIEF CITY COMMENTATOR



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The last time UK inflation was at these levels, British troops fought a war 8,000 miles away in the Falklands, Prince William was born, and Steven Spielberg's film E.T. became the highest grossing movie of all-time.

Inflation is now at a 40-year high after the consumer price index rose to 9pc in April, according to the latest ONS figures.

That's the sharpest jump since 1982, which, as Torsten Bell of the Resolution Foundation pointed out, means much of the country has never experienced an inflationary shock of this ferocity "in their working lives".

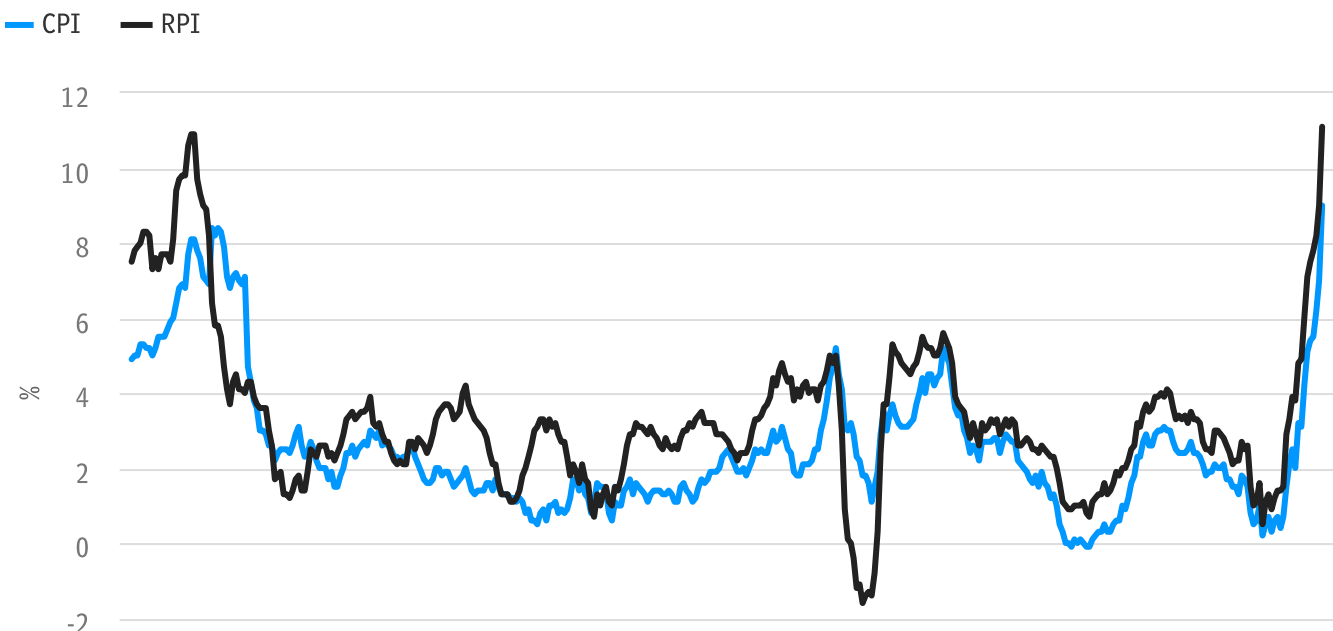
Unfortunately that also applies to much of the current Cabinet, some of whom were barely in short trousers the last time price spikes this severe tore through the economy - except the Chancellor, who would have been in nappies.

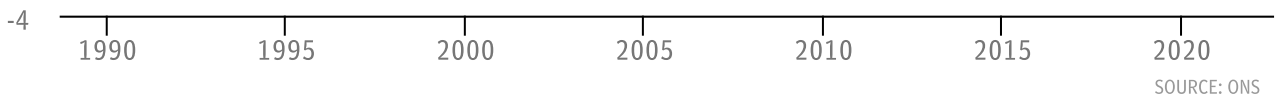
Many ministers simply won't even remember the huge economic turmoil of that period, including the deep recession of 1981 as Margaret Thatcher's government desperately tried to tame an inflationary spiral that had started during the 1970s.

As a result, they struggle to relate to the current mess - although they have no problem recounting the go-go years of rising wages, rocketing house prices and a booming stock market that came later in the decade as if it was yesterday.

## 40-YEAR HIGH

CPI and RPI are at their highest levels in four decades





Is it this relative inexperience and youth that has seemingly left the Government completely ill-equipped to respond to the economic chaos that is unfolding before our eyes? Although surely a factor, it is far from the only reason.

Rishi Sunak was quick to respond to the latest jump by highlighting that “countries around the world are dealing with rising inflation”. What he neglected to mention was that Britain now has the highest inflation rate of Europe’s five biggest economies, as well as the G7 industrialised nations, if, as expected, Canada and Japan’s latest figures come in below ours.

Yes, there have been global economic shocks to contend with but the Bank of England is not “helpless” to tackle the inflationary crisis, in the remarkable words of Andrew Bailey, Governor of the Bank of England and the man whose primary task is to keep a lid on prices.

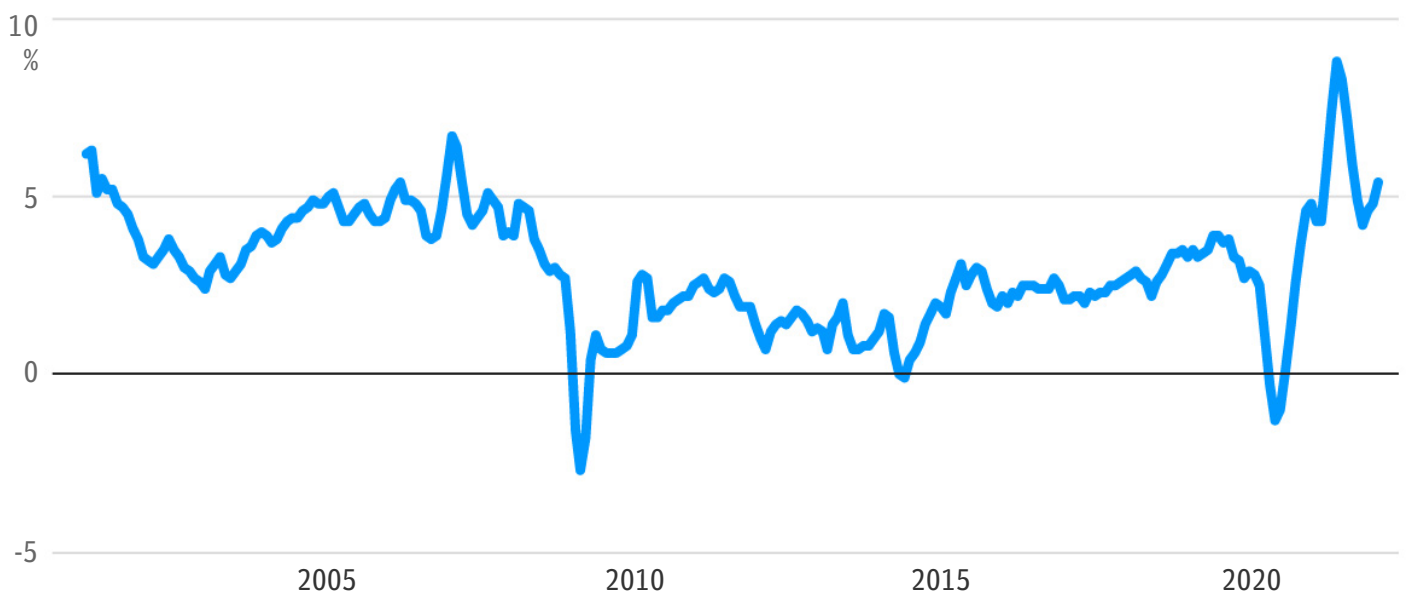
To get a sense of just how badly Bailey and his Threadneedle Street colleagues have dropped the ball, the increase is more than double the pace of basic wage growth, resulting in a violent squeeze on household spending power.

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### PAY CAN'T KEEP UP

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12-month % change in wages



And yet the inflation nightmare is far from over. Double-digit price growth is forecast by

And yet, the inflation nightmare is far from over. Double-digit price growth is forecast by October when energy bills are widely tipped to jump again; manufacturers are yet to pass on their full cost increases; and core inflation, which strips out volatile energy and food prices, is also at a three-decade high, suggesting it has become more embedded across the economy.

Inevitably, the poorest bear the brunt because low-income families spend a greater proportion of their total budget on gas and electricity, as the Institute for Fiscal Studies has pointed out. Amid the cost-of-living squeeze, two in three people have turned off their heating, almost half are driving less, and a quarter have skipped meals, according to an Ipsos Mori survey.

This isn't just the result of an unschooled Cabinet, nor can it simply be blamed on external forces. It is far worse than that.

Yes, Government borrowing has ballooned as a consequence of the pandemic and inflation is pushing up debt interest costs, as Sunak has been at pains to stress, so in that sense the Treasury's hands are tied, but only up to a point.

What we are really witnessing is an abject failure of government, much of it down to Boris Johnson and the people he has surrounded himself with.

A common observation about the current crop of ministers is just how unimpressive they are. It is a Cabinet devoid of heavyweights and stuffed with sycophants seemingly unwilling to challenge the Prime Minister for fear of damaging their own political aspirations.

Only the Chancellor has appeared willing to stand up to the Prime Minister, and look where that got him. Sunak has been subjected to [a barrage of attacks about his own financial affairs](#). Some of this scrutiny is justified, but the maelstrom has clearly damaged his authority and his chances of succeeding Boris Johnson.

It is this vacuum that explains the lack of any credible policies to deal with the cost of living catastrophe engulfing the country, and the failure of others such as levelling up. Even Brexit - the issue that defines this Government - has gone nowhere, and no wonder. Six years after the referendum and it is still negotiating the terms of departure.

On the cost of living challenge, "we stand ready to help", the Chancellor keeps repeating. In doing so he merely reinforces the impression that the Government isn't prepared to help - otherwise it would be doing so right now, not waiting until October seemingly for something magical to happen to energy prices

something magical to happen to energy prices.

And it is this absence of policy that exposes the empathy deficit that runs through a Government where a junior minister blurts out that people should simply get a better job, and the best solution a senior minister can come up with is for shoppers to buy more value supermarket food.

Meanwhile we have a Prime Minister desperately trying to change the subject by bleating about “crime, crime, crime.”

People don’t want to hear it. Inflation is now the all-consuming issue and this Government needs to confront it or be damned forever.

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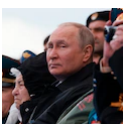
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