Public Talks

The Future after the Budget

Kensington Town Hall, London

30th April 1981

© Economic Study Association, 2020

All rights reserved.

Public Talks

The Future after the Budget

30th April 1981

In the heat of the immediate debate following the Chancellor's Budget proposals one might have felt justified in rephrasing the title of this talk and asking the question "Is there a future after the Budget?".

But now, as the 1981 Finance Bill starts to proceed through the Committee stage, it becomes possible to take a more objective, scientific view. The standpoint is important. To many, the future after the 1981 Budget proposals appears depressing, and macroeconomics can be used to confirm the reality of this appearance; yet, the macroeconomic view can show us also that the price we are being forced to pay in terms of a continuing slump is the price of ignoring the implications of monetary theory for short-run fiscal policy.

An excessive money supply causes, eventually, monetary inflation but additional excessive taxation inflates costs and prices almost immediately. When a tax-inflationary fiscal policy is allied to counter-inflationary monetary policy then the immediate result is a slump, and any downward pressure on prices comes only through the continuation and intensification of the slump.

Monetary theory does not support the conclusion that a slump is a necessary price for an effective counter-inflation policy.

I shall be arguing that the government's short run fiscal policy is incompatible with their longer-run monetary policy and that this is a result of a failure within the sphere of macroeconomics rather than politics.

Today, this country has unique natural advantages. We cannot afford to accept advice which leads to a dissipation of the benefits.

A new macroeconomic approach to current affairs shows us that

the outlook can be changed, that we may begin to enjoy the benefits of our present advantages, not in some distant future but this year and next. This is a time of great opportunity for the British people. Let us begin by taking a brief glance back to remind ourselves how these opportunities came about.

The first 25 years after the end of the Second World War were good years for all western developed nations; some countries did better than others, but none fared badly. In this country we worried over our balance of payments and the weakness of sterling, yet our output doubled, our standard of living doubled, and everybody who wanted a job had no great difficulty in finding one.

Internationally, however, there was an ever-present threatening cloud of persistent inflation. Persistent inflation affected all countries, but some suffered more than others. Since successive British governments stoked the fires of inflation more assiduously than most, we suffered more than most western manufacturing countries.

Then, in the early 70s, the oil producing and exporting countries decided to retaliate against rising prices elsewhere. For years the Organisation of Petroleum Exporting Countries (OPEC) provided developed nations with a plentiful supply of cheap oil and received less and less goods in return, as a result of inflation in the oil importing countries. The price of oil was increased sharply and OPEC supported the higher prices by restricting production for export.

In the west, a long threatening storm broke. Years of soft living off cheap energy ended abruptly. There was an energy shortage – an energy crisis – and the steeply rising price of energy boosted inflation. The balance of world trade was suddenly and sharply shifted.

All this, and worse; in 1974 it became apparent that the western world was sliding into one of its periodic recessions. Britain entered this storm ill prepared. Our rate of inflation was higher than most, our currency was weak, our balance of payments

problems endemic. We relied on buoyant world trading conditions more than most. Not surprisingly, we were battered by the storm.

Fortunately, in our hour of need, there came many hands to man the pumps; our trading partners, our overseas friends, international organisations such as the I.M.F. and, not least, the trade union movement with its voluntary restraint which continued until its members were exasperated by the then Labour government of Westminster. With this assistance we rode out the worst of the storm – a bit sluggish perhaps, but we survived.

Now for the good news. Contrived shortages and high prices for energy stimulated exploration and, in place of vanishing herring, the North Sea yielded up both gas and oil – expensive, admittedly, but it was flowing into an energy-hungry, expensive world. Even a new coal field was found with cheap easily mined supplies, sufficient perhaps for a hundred years or more.

Today, in 1981, Britain alone amongst major western developed nations is self sufficient in energy supplies. Sterling is a petro-strong currency. Rather than deficits, we are concerned with the size of our trading surpluses. More, our world trade is showing signs of improvement – a little halting at the moment, but on past experience we can expect it to become stronger as the year proceeds.

What a turnaround in our fortunes – what an opportunity for a manufacturing and trading nation. What matters, then, one Budget, pleasant or unpleasant, necessary or unnecessary? What indeed? But the opportunity is one thing; it is there. The ability to take advantage of that opportunity is something else, and it is also something that can be taken away by monetary and fiscal policy.

The importance of Sir Geoffrey's Budget proposals lies in how they will affect, if enacted, the ability of the British economy to take advantage of the opportunities that exist now, and may be expected to exist for the next 18 months to two years. We must not forget, however weak may be the current upturn – it may even be still-born – nonetheless, on the basis of past experience we can

confidently expect a further downturn in world trading conditions to be in evidence by the end of 1983. The opportunities that exist for this country now will not remain in storage to await the outcome of the Chancellor's medium term financial strategy.

From the macroeconomic point of view, the current debate about public economic policy is essentially between those popularly labelled monetarist, who tend to concentrate on longer-run objectives to the disparagement of current affairs. They argue that the short-run effects of their policies are a necessary price to be paid for past excesses, and for the enjoyment of some future golden age.

On the other side, are those popularly labelled Keynesians, who direct their economic analysis to managing the economy in the short run, and favour the mitigation of deleterious longer-run effects by the imposition of controls. They tend to concentrate on current affairs and claim to be keeping alive the spirit of Keynes who wrote, in the year I was born,[1] "In the long run we are all dead".

Contemporary Keynesians do not deny that an excess supply of money will tend eventually to increase prices but, they argue, so long as an economy is operating at less than full employment then an increase in the money supply will cause some expansion of output and employment. In present conditions they favour reflating the British economy; an attractive proposition in a slump.

To restrain the inflation that would follow inevitably upon a monetary-induced expansion, they advocate a permanent shift towards some form of controlled economy.

As a long run solution some so-called Keynesians advocate socialism – that is, the exercise of control through taking into public ownership all the means of production.

Others prefer bureaucracy – the creation of local, national and super-national bureaucracies to implement the plans and controls they consider necessary for the good of the economy as a whole,

---

1 Quoted from the *Tract on Monetary Reform*, published by Keynes in 1923.

such as a permanent detailed prices and incomes policy. Currently in this country, there is a revival of interest in the bureaucratic solution but in politics this is mid-term. Is the revival of interest just another mid-term aberration – one time in Orpington, this time a new party?[2]

In the past, the British electorate have rejected the bureaucratic solution. Will they do so again when the time comes? I have not the gift of prophecy, so we must wait and see, but in the sphere of public economic policy the opportunities that exist now will not await the two or three years it will take to find out.

Today the government in power seeks advice from those macro-economists who reject bureaucracy and discretionary short-run policies in favour of longer-run objectives. Before the General Election of 1979, the Conservative Party made it very clear that if it returned to office their first objective would be to permanently reduce the rate of inflation and work towards the eradication of that particular social disease. They made it abundantly clear that they accepted the policy implications of the restated quantity theory of money. They publicly admitted that these monetary policies would cause some temporary rise in unemployment but, it was argued, this was an unavoidable price for an effective counter-inflation policy.

Accepting the conclusions drawn from theories developed by Professors Friedman, Laidlaw, Parkin, Ball, and Walters, to name but a few, Conservative politicians confidentially asserted that within two to four years unemployment would fall to a so-called 'natural rate' – that is, a rate of unemployment that cannot be permanently reduced by reflating the economy, or is consistent with any fully anticipated rate of inflation.

Following the election, the policy implications of the restated

2 A reference to the Orpington mid-term by-election of 15th March 1962, at which there was an unexpected swing of 22% in favour of the Liberal Party. This is contrasted with the formation of the SDP (Social Democratic Party) under Roy Jenkins on 26th March 1981. This talk was given on 30th April 1981, with a further General Election expected two years later, in 1983.

quantity theory of money became the medium term financial strategy. The new government were assured by their economic advisors, and a galaxy of monetary academics, that providing they held to that strategy then, within the life of the present Parliament, there would be a permanent reduction in the rate of inflation with little or no contraction in the volume of output and employment.

This year is the half-way mark. The rate of inflation continues in double figures and official indices published over recent months suggest the possibility of a re-establishment of a rising trend, and we have now the promised hump in unemployment. It is officially estimated that this hump will continue to grow for some time to come. Some forecast that the numbers registered as wholly unemployed will exceed anything recorded during the inter-war years of depression.

When may we expect a reversal of the trend – evidence of some steady progress towards this so called natural rate? Unfortunately for government, and more so for the rest of us, estimates of a natural rate seem to move in step with the actual recorded growth of unemployment. In the early 1970s when unemployment was still under a million, Professors Laidlaw and Parkin, both then at the University of Manchester, had estimated the natural rate of unemployment for the U.K. to be a little less than 2 percent. Since that time recorded unemployment has multiplied three times, and so have the estimates of the natural rate. Latest estimates suggest the natural rate of unemployment for the U.K. to be not less than 5 percent and rising.

Is, then, the medium term financial strategy a gigantic hoax perpetrated by some rather plausible academics? Recently, 364 academics asserted that there is "no basis in economic theory or supporting evidence"[3] for the government belief that by deflating demand they will bring inflation permanently under control and thereby induce an automatic recovery in output and employment.

To get an agreement for even a wholly negative statement such

3 Quoted from a letter to The Times, signed by notable economists of the day.

as this requires subtle wording. Do the government believe they are deflating demand? Is this the basis of the advice they are accepting? But it really is no matter; we can accept the academic monetarists' assertion – Professors Ball and Minford, for example – that it is still too early to pass judgement on the medium term financial strategy. We can accept also the government's view that the 1981 Budget proposals are the minimum necessary for holding to that strategy.

Accepting all this, the question for macroeconomists remains – are there alternative routes to a prosperous economy with a zero rate of inflation? It is no answer to assert, as did 364 academics, that the medium term financial strategy is a nonsense and that there are alternatives. Macroeconomists must be prepared to spell out the alternatives and the alternative routes must be signposted now whilst the opportunities for a recovery exist.

To pursue this macroeconomic question, let us now remind ourselves of the monetary theory upon which the medium term financial strategy is based. According to the restated quantity theory of money, there is in any economy a demand for a certain quantity of money. This demand for money is determined largely by the general price level, by the level of economic activity, and by the attractiveness of other realisable assets that are considered as alternatives to money holding, such as bonds, equities, houses, rare stamps, old masters, and so on.[4]

On the other side the quantity of money an economy is required to hold at any time is determined quite independently by the quantity actually supplied by the monetary authorities – in the U.K. this is effectively the government. It follows, if the quantity of money supplied by the monetary authorities is in excess of the quantity demanded in the given conditions, then the economy as a whole will find itself holding money balances in excess of actual requirements.

4 A reference to the established concept of 'liquidity preference' – whether the owners of assets choose to hold money balances, or longer term investments.

Professor Friedman and the majority of quantity theorists argue that the distribution of these money balances throughout the economy, and when and on what they will be spent, is largely indeterminate. All they are prepared to state with reasonable certainty is that from the past experience of many countries, these excess money balances will be spent and that their spending will cause a rising general price level. In turn, a rising general price level causes a demand for money to increase and equate with the supply. In other words, excess money balances are absorbed eventually in an increased demand for money, resulting from a higher general price level.

Upon this Professor Friedman and others conclude a persistent excess supply of money causes, sooner or later, persistent inflation.

As a corollary from this conclusion, it is asserted that once an inflation has been started then it can be halted only by the monetary authorities restricting the quantity of money supplied, so that in the economy as a whole excess money balances cease to be created. These conclusions can be fully supported by evidence from many countries, this century and earlier.

The difficulty with the monetary policy prescription is that it works only in the longer run. What happens in the shorter run is admitted at the outset to be indeterminate, yet the question that matters to governments and to those who live and work in an economy is how to cope with the present so as to be able to enjoy eventually the calm seas of stable prices. Always, the immediate problem is a safe passage through the present storm. On this issue contemporary monetarism has nothing useful to contribute, beyond stating that it is a necessary price to be paid and all will come right in the end.

Recently in a letter to The Times, Roger Opie[5] of New College, Oxford accused the academic establishment of a grave sin of omission. He wrote: “How, and why, did we fail to strangle this

5 Roger Opie (1928–1998). Fellow, Emeritus Fellow, and Tutor in Economics at New College, Oxford.

theory at birth? Indeed, why did so few of us even try?"

The answer may be stated briefly in two parts.

1) The quantity theory of money has been around the English universities for a very long time, at least 400 years. Strangulation at birth was not an opportunity that was presented to the academic establishment of today.

2) The overwhelming majority of academics of whatever persuasion recognise that the quantity theory of money accords with the facts of experience. The dispute is not so much in the sphere of monetary theory as in the sphere of public policy.

Roger Opie writes of this "treason of the academics", where he seems to use such language only to obscure any possible alternatives to his own solution. He plied his solution with yet another question: "How can we escape from this trap, except by a planned, phased and sustained growth of spending on investment and retraining starting now, and continuing for many years?" In other words, Roger Opie advocates a bureaucratic, if not the socialist solution.

Shed of its rhetorical questions and other obscurities, contemporary academic macroeconomics offers to the general public only two choices. If they wish to reach the haven of a prosperous economy with a stable general price level then either they must jettison a large number of their companions and leave them to wallow in the seas of unemployment and depression so the rest can have a safe passage, or they must all accept the chains of the galley slaves and work to the beat of some bureaucrat's drum, with or without the whip.

That these are the only two choices offered is indicative of a failure, not of politics, but of macroeconomics. A new choice will not arise from the election of a new government or through the formation of a new party, no matter how well intentioned the members of that new government or new party may be.

Those who have the power to decide, whether it be ministers between elections or the electorate at a General Election, those

who have the power to decide at any particular time can exercise that power only as between the choices offered to them at that time. Changes in the level of politics within a parliamentary democracy will not effect a change in the permanent advisor staff. It will not effect a change in the academic establishment. The same economic advisors, the same academics will continue to offer the same two choices to the new as they do to the present, and as they did to the previous government. A new choice requires a new approach to macroeconomics.

Let us take another look at the quantity theory of money. It has, after all, stood the test of time. We may begin by admitting to its major conclusion, which fully accords to the facts of experience – if inflation is to be avoided in the absence of a fully controlled economy, then the monetary authorities, the government, must adjust the quantity of money they supply to the quantity of money demanded so as not to create persistent excess money balances in the economy as a whole.

But this monetary policy is a matter of the longer run – how long cannot be stated with any precision, as it depends upon how slowly, or how quickly, all the necessary adjustments take to link the initial monetary impulse with a change in the general price level. Again, what will happen in the economy whilst these adjustments take place is from the aspect of monetary policy also indeterminate.

However, although those who live in the economy may be concerned about the longer run they are concerned also with today, tomorrow, next month, the rest of this year. They are concerned about what will happen whilst the adjustments take place; they are concerned about what will be the state of the economy when the adjustments have taken place. All these things are matters for concern, but always to those involved, the shorter run is a matter of more immediate concern.

What help then is the quantity theory of money? I argue that the price we are being forced to pay in terms of the present slump is

the price of ignoring the short-run policy implications of monetary theory. It is not a necessary price for past excesses or a necessary price for the eradication of inflation.

We all know, as a fact of repeated experience, that when a government increases taxes which directly affect costs, say by increasing excise duty, then within a few hours, or a few days and at most a few weeks, prices rise.

We know also, as a fact of repeated experience, that when a government increases income taxes then employees retaliate; this retaliation increases employers' labour costs, and in turn, these cost increases are reflected in higher prices. The tax inflation of prices is a little delayed when taxes on income are increased but it still happens in the shorter rather than in the longer run.

Now if tax increases cause tax inflation of prices in the short run, then, in the same short run, the demand for money must be increased. The process of tax inflation happens in the short run, just as surely as monetary inflation in the longer run.

Thus, from the quantity theory of money, we must conclude that whilst monetary policy is important for avoiding monetary inflation, and for ensuring the well-being of the economy in the longer run (or, to use the 'in' phrase, the medium term), equally fiscal policy is important for avoiding tax inflation and for ensuring the well-being of the economy in the shorter run.

From a restatement of the quantity theory some 25 years ago, the Chicago School concluded rightly that monetary policy is important for inflation. It then fell foul of its own formatory thinking,[6] and asserted that fiscal policy is not important for inflation. The latter does not follow from the former. By failing to recognise its initial mistake, academic macroeconomics of today continues in error.

The British government is a victim of this error of macroeconomics and we all suffer. The government's stated objective is a permanent reduction of the rate of inflation within the lifetime of

6 The habit of weighing up propositions only in terms of pairs of opposites.

the present parliament, without any permanent contraction of output and employment or loss of personal liberty. To this end, the medium term financial strategy was devised. So far, so good.

Where macroeconomics has failed both the government and the British people is in the sphere of the annual fiscal policies needed to compliment the medium term monetary policy. Over the past two years the government have been misled into concentrating on attempts to reduce their borrowing requirement by cutting public spending and raising taxes. Given their monetary policy, given the world recession, then such a fiscal policy can have but one result: to precipitate a slump. As the slump intensifies, public spending inevitably increases and tax revenue inevitably falls. A certain result is that the government borrowing requirement grows at a pace which defeats all efforts to control the quantity of money being injected into the economy, and a slump is added to inflation.

The 1981 Budget proposals are intended to hold the economy to the medium term financial strategy. Again, the Chancellor is being ill served by his advisors and by those academics who claim to be monetarists. He is being ill served also by those academics not of the monetarist persuasion. They tell him only that he is wrong; they do not spell out an alternative fiscal policy, compatible with the government's longer-run objective.

As a result of misguided fiscal policy in the past, the Chancellor faced an estimated borrowing requirement for this financial year more than double that proposed in the medium term financial strategy. Understandably, this was considered too much. In November of last year the Chancellor announced tax increases to be effective from April of this year, estimated to add £1.0 billion to employers' labour costs directly, and to reduce take-home pay by £1.5 billion. In the Budget this April, he then proposed further additional taxation that would directly increase these costs by an estimated £3.8 billion and reduce incomes by a further £2.5 billion.

Thus, it is proposed in the midst of a depression to attempt to raise nearly £9,000 million in additional tax revenue this year.

Some £4,000 million will directly reduce disposable incomes and must be expected to intensify the slump by cutting back private sector demand.

In due course, as these income-effect taxes motivate a tax shifting process, there will be the added effect of the tax inflation of costs and prices. The balance of these additional taxes will inflate costs directly.

Additional cost-effect taxes cause the tax inflation of prices almost immediately upon their imposition and this has happened already to an immeasurable extent. With a tax induced rise in costs the competitive position of British producers is eroded and the slump is again intensified. On the other side of the account the Chancellor is proposing to dispose of, or perhaps fritter away is a better term, some one-third of this additional tax revenue by reliefs and cash benefits to particular sections of the community, but such actions are more exercises in political cosmetics than political economy. They will have no measurable effect on the level of economic activity, taken as a whole. Much publicity is being given to assisting small businesses, when I would argue that most small businessmen would be better off left to take their chance in an expanding economy rather than being offered, at the taxpayer's expense, a privileged position in a contracting economy.

The fiscal proposals for 1981/82 have been justified on the grounds that it is necessary to reduce government borrowing so that interest rates may be allowed to fall. This argument is no more than a variation on the theme of one hand ignoring what the other hand is doing. Admittedly, real interest rates for the private sector are excessive,[7] and excessive government borrowing does tend to keep interest rates high, but it requires 'cloud cuckoo land' macro-economic analysis to conclude that boosting the demand for money by £9.0 billion of tax inflation in order to reduce estimated government borrowing by £3.0 billion is, as a policy, conducive to

7 Interest rates in the UK had reached a peak of 17% in September 1980, and remained above 8% for several years thereafter.

a fall in interest rates. Indeed, if the authorities attempt at the same time to restrict the quantity of money supplied then there must be a further contraction of output and employment. True enough, as the slump continues and intensifies the slump will tend to reduce interest rates. Yet so far my analysis does little more than confirm the opinion of the 364 academics. The question remains, is there an alternative route?

Let us consider an alternative fiscal policy which could be introduced immediately and would complement the medium term financial strategy. This year it is proposed to collect over £12.5 billion from employment taxes imposed directly on employers – our administrators call these taxes employers' contributions, and surcharge. This astronomical figure for tax inflation of labour costs is proposed during a financial year when the Manpower Services Commission estimate unemployment may exceed three million. It is a nonsense at this time to persist with a policy which increases unemployment and is bound to be very expensive to government in terms of revenue lost and in terms of redundancy pay and unemployment benefits, etc. paid out.

As a first step towards a recovery, then, why not call a halt to this expensive and restrictive piece of tax inflation? If, say, it was abolished at the end of May, then the borrowing requirement this financial year is unlikely to be increased by more than £4.0 billion, at the very worst by not more than £6.5 billion. In the next financial year of 1982/83 such a measure, introduced now, would reduce the estimated government deficit. Immediately and automatically the tax deflation of labour costs would make British producers more competitive as against foreign producers, not only in overseas markets but also in the home market. British-based firms would be better able to take advantage of opportunities that exist for this country now and as output and employment expanded profitably much of our current public spending would be rendered unnecessary.

On the revenue side, tax receipts would rise with the generation

of more income, so by a double concerted action the tax deflation of labour costs would work automatically to cut the Chancellor's estimated deficit. In addition, the tax deflation of labour costs would significantly reduce the rate of inflation and would be quick acting. Instead of raising prices by fiscal policy, the Chancellor would effectively cut prices. Instead of the rate of inflation continuing to hover around double figures, it would probably be halved by the end of the year, equal to the lowest E.E.C. rates.

The opportunities exist now, and to take advantage of these opportunities we need bold action on the part of government. The choice is not between the present restrictive fiscal policies or re-inflation. There is an alternative – expansionary policies can be pursued by way of tax deflation.

Those that would argue that the Chancellor cannot risk any increase in the borrowing requirement, even in the shortest run, are just ignoring the evidence. In the last financial year of pursuing misguided restrictive fiscal policies the actual borrowing requirement exceeded the Budget estimate by some 60 percent, or £5.0 billion. This financial year with even more restrictive policies the margin of error in the official estimate gives scope for a sweep-stake. One could almost guarantee that in the final out-turn the deficit would be less, given an expansionary fiscal policy by way of tax deflation of labour costs, than if the restrictive measures of tax inflation which are at present in the Finance Bill are enacted.

The alternative fiscal policy I have just outlined does not require the government to abandon their medium term financial strategy. It is fully consistent with that strategy, and with the longer run objective of a prosperous economy with a zero percent rate of inflation. It is the fiscal policies which the government have been advised to pursue over the past two years, and which they propose to pursue with even greater severity this year, that are making it impossible for them to keep to their financial strategy and move towards their stated economic objectives.

If a government persists in tax inflating costs and prices then

they will persistently increase their demand for money relative to any given volume of output and employment. If at the same time they attempt to restrict the quantity of money supplied relative to the tax inflated quantity demanded, then only one thing can happen: output and employment must contract. This is what the quantity theory predicts. This is what is happening and this is what must continue to happen for just so long as the government are misled by their advisors into pursuing fiscal policies directly opposed to their financial strategy.

Established macroeconomics has demonstrated conclusively that it is not capable of doing the job that the government requires to be done. What is needed now is a new approach to macro-economics. In making this new approach one does not have to reject Keynes if one accepts Friedman; one does not have to reject Friedman if one accepts Keynes. Friedman's restated quantity theory of money is essentially a generalisation of Keynes's theory of liquidity preference. The policy implications to be drawn from the work of these two macroeconomists are not incompatible, but complementary. Short run fiscal policies based on the analysis of Keynes compliment the longer run monetary policy advocated by Professor Friedman and his followers.

Earlier this month, Professor Stapleton, a monetarist at Manchester University, asserted that there are material differences between the recession of the 1980s and the depression of the 1930s. He is right – the present slump is more like the 1920s. A comparison with the thirties remains a prospect for future years.

However, as a contemporary monetarist, the Professor then felt bound to proceed and to argue that since there are these material differences then the analysis of Keynes is irrelevant at the present time. This is a nonsense. Previous to the *General Theory*, Keynes published two important works on monetary theory. Earlier I repeated a frequently quoted remark that Keynes slipped into one of his publications on monetary theory: "In the long run we are all dead". Taken out of context the quotation is often misinterpreted.

Today, in its context it is apposite.

During the 1920s there was, as now, an important public debate on monetary policy. Keynes contributed to that debate and whilst not denying the importance of the longer run, he deemed it necessary in the conditions then prevailing to emphasise the importance of current affairs. At the time, Keynes was a minority of one. His advice was rejected and that of the established majority accepted. As a result, the British economy was unable to take advantage of the recovery in world trade during the latter part of the 1920s and was totally unprepared to cope with the cold blast of the thirties.

Changing governments did not help. In quick succession we elected a Conservative Government, a Labour Government, and a National Government, but all through these changes the Treasury view continued to dominate public policy. This may sound all too familiar. Once again, established academics debate the pros and cons of monetary theory and its implications for public policy. Once again, Keynes is rejected as irrelevant and meanwhile the British people are being prevented from taking advantage of current opportunities. Are we to enter the next storm in as low an economic state as 50 years ago?

Within a few years it may be appropriate to draw a comparison with the 1930s, but now is a time of great opportunity. The British economy is at an advantageous position, and there is still time to change the economic outlook, for the immediate issue is not long-run monetary policy, it is short-run fiscal policy. So I will close tonight by quoting from the John Maynard Keynes of the 1920s, from his *Tract on Monetary Reform* published in 1923. "But this long run is a misleading guide to current affairs. In the long run we are all dead. Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is long past, the ocean is flat again."