

# INNOVATIVE ANSWERS FOR BRITAIN'S BARRIERS

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DISCUSSION PAPER

## PREAMBLE

Britain finds itself in an economic and political quagmire - recurring issues over multiple governments have remained unsolved. The UK pays historically high taxes, but our public services seemingly do not match the amount we spend. Despite (or perhaps thanks to) the state growing and becoming more interventionist, societal issues seem to worsen. Tinkering with the status quo is the path of managed decline.

It is clear people are crying out for radical ideas. To solve the housing crisis, improve our health service, secure our energy supplies, and make childcare affordable, to improve the wealth and health of everyone in the country.

Dr Madsen Pirie, President of the Adam Smith Institute, has constructed 10 radical policy ideas to Britain's biggest challenges, to provoke discussion and debate among policy makers.

The Adam Smith Institute's mantra is often said to be: "We propose things which people regard as being on the edge of lunacy. The next thing you know, they're on the edge of policy". In Micropolitics, breaking up the incentive and outcome structures to best promote optimal outcomes amongst stakeholders results in a holistic victory for all parties.<sup>1</sup> Building on this tried and tested theory, Pirie has applied this idea to solve some of Britain's most challenging blockers to growth and prosperity.

This proactive discussion path provides ten solutions to big, seemingly intractable problems, the UK faces today.

The UK needs more houses because people are living longer, more of them choose to live alone,<sup>2</sup> and more people choose to come and live in this country.<sup>3</sup> Not enough houses are being built because planning permission is hard to come by, and those overlooking the Green Belt resist development that could spoil their view.<sup>4</sup>

One solution is to permit local authorities to buy farmland at well above market prices. It could preserve green areas, but allow the purchase of land used currently for intensive agriculture and convert its use for housing.

While many people want to preserve green areas, much farmland is not particularly green, with vast fields of monoculture awash with pesticides and fertilisers.<sup>5</sup> There is a strong case for allowing local authorities to buy farmland, to then give it planning permission, and to spread the resultant rise in value for the benefit of their communities. This would give a direct incentive for them to promote new developments.

They would not be empowered to buy the meadows, woods and wild areas, but only the land used for crops and pasture. They could be empowered to pay landowners a sum well above the fair market price, which is on average £10,800 per hectare, to encourage them to sell.<sup>6</sup> The premium on the land then zoned for development was estimated by the Centre for Progressive Policy 5 years ago to be 275 times its original worth.<sup>7</sup>

This will provide funds to offer handsome cash sums to local residents in the vicinity of the new developments. It means, in addition, that local authorities will have funds for infrastructure projects and new local facilities that will benefit their communities. It could be a win-win-win situation, with landowners receiving more than the current market value of their land, local authorities acquiring the land and the money, and local communities receiving cash sums and new amenities. Local authorities might choose some of the land purchased for woodlands scattered between the developments.

Instead of having to override local sentiment to secure badly-needed housing, this would give local communities an incentive to support new developments by giving

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**2** Esteban Ortiz-Ospina, 'The Rise of Living Alone: How One-Person Households Are Becoming Increasingly Common around the World', Our World in Data (blog), 10 October 2019, <https://ourworldindata.org/living-alone>.

**3** Georgina Sturge, 'House of Commons Library: Migration Statistics' (London: House of Commons, 31 May 2023), <https://commonslibrary.parliament.uk/research-briefings/sn06077/>.

**4** Tom Papworth, 'The Green Noose: An Analysis of Green Belts and Proposals for Reform' (London: Adam Smith Institute, 14 January 2015), <https://www.adamsmith.org/research/the-green-noose>.

**5** Tim Edwards, 'The Not So Green Belt', Pin Factory Blog (blog), 18 June 2020, <https://www.adamsmith.org/blog/the-not-so-green-belt>.

**6** Richard Greasby, 'Rural Land & Farm Values 2023', Property Blog (blog), 31 March 2023, <https://www.butlersherborn.co.uk/property-blog/rural-land-farm-values-2023>. <https://www.butlersherborn.co.uk/property-blog/rural-land-farm-values-2023>. Developers can often sell land after development for £600,000 per hectare.

**7** Thomas Aubrey, 'Gathering the Windfall: How Changing Land Law Can Unlock England's Housing Supply Potential' (London: Centre for Progressive Policy, September 2018), <https://www.progressive-policy.net/publications/gathering-the-windfall-how-changing-land-law-can-unlock-englands-housing-supply-potential>.

them a stake in the gains to be realised.

## **SOLVING THE UK NHS CRISIS**

The NHS is in crisis. Its failings are documented daily to such an extent that they can be taken as read.<sup>8</sup>

The basic principle underlying the NHS is its most valuable. It is that patients shall be treated at no cost to themselves in most cases, no matter how poor or how sick they are. To be avoided at all costs is the US healthcare system with its vast costs to individuals in terms of treatments or insurance costs.<sup>9</sup>

UK citizens should be given a Health Guarantee card, like a credit card, that guarantees them free treatment. Their Health Guarantee card must give whoever treats them full access to their health records, previous treatments, together with any previous or current conditions. It must cover the cost of their treatment, funded by the state.

In the event of any delay in access to treatment, the card should be valid for private sector treatment, with a cap on costs similar to those widely used in automotive and housing insurance. Such caps should be subject to periodic review by the Department for Health and Social Care.

With the funding of healthcare covered by social insurance, the delivery of healthcare should be provided by a mix of public and private facilities paid on the basis of the treatments they deliver. GPs should be paid according to the number of patients they see, with in-person consultations paying more than video or telephone meetings. Doctors would be paid for seeing and treating patients, instead of being paid for having them on their books, which is the current system.

Similarly, hospitals and consultants should receive their funding according to the treatments they provide. GPs, consultants and hospitals should be given their independence through a wider rollout of NHS Foundation Trusts, rather than being managed by a centralised bureaucracy. They should compete to provide treatments, to attract patients, and might be encouraged to specialise in doing what they do best.

There should be tax deductions for those who use supplementary private insurance to save the state money and resources. This happens in Australia, where most people supplement their state Medicare with additional private cover, and receive tax rebates that make the extra cover 25% cheaper than it would be without them.<sup>10</sup>

<sup>8</sup> British Medical Association, 'NHS Backlog Data Analysis' (London: British Medical Association, July 2023), <https://www.bma.org.uk/advice-and-support/nhs-delivery-and-workforce/pressures/nhs-backlog-data-analysis>.

<sup>9</sup> Max Roser and Esteban Ortiz-Ospina, 'Healthcare Spending', Our World in Data, n.d., <https://ourworldindata.org/financing-healthcare>.

<sup>10</sup> "In the UK, national registry data show that the percentage of patients spending 4 hours or less in ED was 84.6% in 2018, whereas the proportion of patients seen "on time" in Aus was 72% in 2017/2018, with the median waiting time in 2017/2018 being 18 minutes; (however, the 90th percentile waiting time

The private insurers there cannot discriminate charges on the basis of the current health status of the applicant, so the risk is pooled.

The Australian system of health care is hugely popular there with 81% Of Australians rating their system as ‘good’ or ‘very good’.<sup>11</sup> We should incorporate its benefits into an improved and restructured NHS..

## **SOLVING THE DRUGS PROBLEM**

Many people take drugs because they like the feeling they experience by doing so. This is a more extreme version of why some people smoke cigarettes or drink alcohol. Most do so because they like it and most don’t become addicts.

Because most drugs are illegal, they are traded on the black market, setting their users and suppliers at odds with the law. Because they are illicit and underground, there is little to no quality control, leading to deaths from adulterated or over-strength supplies.

Their illegality makes them expensive as suppliers risk prosecution and punishment, as well as considerable price gouging. The profits to be had from their sale leads to violent turf wars, as gangs fight for control of the trade. It echoes what happened in the United States during the prohibition era. People in the UK, especially young people, are killed in the street by members of rival gangs fighting for control of a very lucrative business.

Several US states and Canada have joined the growing list of countries that have legalised the recreational use of cannabis. If the UK were to do the same, it would lead to better quality control and enable age checks to be made as the illegal market dried up if the legal market is allowed to prosper through light regulations and licensing.<sup>12</sup> It would free up much of the logjam on courts and prisons, and end the conflict between recreational users and the police. The Treasury, rather than the criminals, would gain revenue.<sup>13</sup>

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was 93 minutes, highlighting the variability in emergency department wait times).

In 2018/2019, NHS England reported that the overall median referral to treatment waiting time for 2018/2019 was 10.1 weeks, whereas, in Aus, wait times have steadily increased over the last 15 years, from 27 days in 2000/0128 to 38 days in 2016/201729 and 40 days in 2017/2018.

In May 2019, in the UK, 42.0% of patients received appointments on the same day as their booking, however, 32.3% of patients waited longer than a week for their primary care appointment, whereas, in Aus, it was reported from 2008-2014 that patients wait an average (SD) of 4.0 (5.6) days for a primary care appointment.” Daniel McIntyre and Clara K. Chow, ‘Waiting Time as an Indicator for Health Services Under Strain: A Narrative Review’, *INQUIRY: The Journal of Health Care Organization, Provision, and Financing* 57 (January 2020): 004695802091030, <https://doi.org/10.1177/0046958020910305>.

**11** IPSOS MORI, ‘IPSOS Global Health Service Monitor 2020’ (London: IPSOS MORI, 7 December 2020), [https://www.ipsos.com/sites/default/files/ct/news/documents/2020-12/ipsos-global-health-service-monitor-2020\\_au.pdf](https://www.ipsos.com/sites/default/files/ct/news/documents/2020-12/ipsos-global-health-service-monitor-2020_au.pdf).

**12** Tim McPhillips, ‘Weed Is Legal in New York, but the Illegal Market Is Still Booming. Here’s Why’, *PBS News Hour*, 28 March 2023, <https://www.pbs.org/newshour/nation/weed-is-legal-in-new-york-but-the-illegal-market-is-still-booming-heres-why>.

**13** Jamie Doward, ‘Legalising Cannabis “Could Earn Treasury £3.5bn”’, *The Guardian*, 2 June 2018, <https://www.theguardian.com/society/2018/jun/02/legalise-cannabis-treasury-3bn-drugs>.

The legalisation of cannabis would take one widely used recreational drug off the black market. The same could be done with cocaine (8.7% of the population) and MDMA (1.9% of the population) (Ecstasy), both in quite widespread use.<sup>14</sup> Their legalisation would free up large numbers of police to deal with more serious crimes in which other people are victims.

Heroin was once available on prescription to registered addicts to consume at home, and it was seen as a problem that it could circulate to others. This could be resolved by setting up clinics manned by medical personnel, in which hard drugs such as heroin could be obtained for consumption on the premises, after medical inspection and advice. This would treat addiction as a medical, rather than a criminal, problem, and address it by medical personnel instead of with law enforcement officers. It would bring quality control and safety to the fore, and remove the current illicit drugs trade that underlies so much crime.

It could be argued that legalisation would lead to increased use, just as the ending of prohibition led to increased alcohol consumption. US voters went for repeal because the alternative was Al Capone and his ilk. The UK is in an Al Capone situation with illegal drugs, and could similarly end it by repealing the prohibition of them.

## **SOLVING THE PROBLEM OF HOMELESSNESS**

The National Audit Office tells us that in Britain:

*“There is a high prevalence of mental illness and alcohol and drug dependency among rough sleepers. Of the 70% of rough sleepers who had a support needs assessment recorded, 47% had mental health support needs, 44% had alcohol support needs and 35% had drug support needs.”*

This tells us that for most rough sleepers alcoholism, drug abuse, and mental illness feature among the reasons for their situation.

Finland’s policy, introduced in 2007, is called Housing First. Instead of requiring people to solve those problems before they are housed, as most countries do, it does the opposite, housing them so that they can better address those problems. The reasoning is that alcoholism, drug abuse, and mental illness are all more difficult to solve for someone living on the streets.

Tenants are housed in apartments, entitled to housing benefits and paying rent. What they cannot meet out of income is met by the local government. Crucially they receive support services to help with their difficulties. Trained personnel are available to help with financial problems, advice about housing and benefits, and

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<sup>14</sup> Pete Jones, ‘Drug Misuse in England and Wales’, 15 December 2022, Office for National Statistics, <https://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/datasets/drugmisuseinenglandandwalesappendixtable>.

to provide therapy for addiction and mental problems. Although the programme costs roughly 250 million euros,<sup>15</sup> there are savings for the government from lower use of emergency health services and from less involvement of the criminal justice system.

Finland has purpose-built or converted premises into self-contained apartments, and has turned all of its homeless shelters into such accommodation. Some of these have communal areas where tenants can interact and form communities. An article in the *Christian Science Monitor* examined some of the costs.<sup>16</sup> Between 2008 and 2015, 3,500 apartments were produced at a cost of £294m, or £84,000 each. Over that time the estimated saving to the medical and emergency services no longer required is put at £14,200 per previously homeless person per year. This suggests that the project's costs might be recouped over a 6-year period.

The results of the Finnish approach are remarkable, and they suggest that their alternative approach brings a viable solution to a growing and distressing problem. There is a very strong case for a detailed study of their methods and consideration given to trying a similar approach in the UK. It could be tested in experimental areas to evaluate its results over a one or two-year period.

## **SOLVING THE PROBLEM OF OVERSEAS DEVELOPMENT**

The United Nations has a target for developed countries to spend 0.7% of their Gross National Income (GNI) on Official Development Assistance (ODA). The UK had previously set this target, then reduced it to 0.5%, but now targets returning to 0.7% in 2024-2025.<sup>17</sup>

Some commentators criticise the UK, and indeed the USA, for contributing too little to the development of poorer countries, but the amount the two countries give is much higher than the figures show. The statistics only show what governments contribute (£15.2bn), but data from the World Bank shows that £23.6bn is paid in remittances from the UK, with £10.6bn in charitable donations.<sup>18</sup> People who came here as immigrants send money to their families back home, and thereby make a significant impact on their domestic economy. The same is true in the United States.

Furthermore, this direct person to person aid does more economic good than government to government aid. As Professor Peter Bauer pointed out, government aid

<sup>15</sup> Jon Henley, "'It's a Miracle': Helsinki's Radical Solution to Homelessness", *The Guardian*, 3 June 2019, <https://www.theguardian.com/cities/2019/jun/03/its-a-miracle-helsinki-radical-solution-to-homelessness>.

<sup>16</sup> George F Sander, 'Finland's Homeless Crisis Nearly Solved. How? By Giving Homes to All Who Need.', *Christian Science Monitor*, 21 March 2018, <https://www.csmonitor.com/World/Europe/2018/0321/Finland-s-homeless-crisis-nearly-solved.-How-By-giving-homes-to-all-who-need>.

<sup>17</sup> HM Government, 'Government Sets out Conditions for Returning to 0.7% Aid Target', 12 June 2021, <https://www.gov.uk/government/news/government-sets-out-conditions-for-returning-to-07-aid-target>.

<sup>18</sup> Reality Check Team, 'Foreign Aid: Who Will Be Hit by the UK Government Cuts?', *BBC News*, 8 November 2021, <https://www.bbc.co.uk/news/57362816>; Peter T. Bauer, 'Foreign Aid: An Instrument for Progress?', *Foundation for Economic Education* (blog), 1 December 1966. <https://fee.org/articles/foreign-aid-an-instrument-for-progress/>

signals to ambitious people in poor countries that they must turn to the government to improve their lot. People who might otherwise go into business or start businesses themselves, turn instead to seek contracts from government or positions within government.<sup>19</sup> There are also fewer opportunities for corruption and waste in person to person transfers of wealth, although some smaller fraud has occurred.<sup>20</sup> The money goes straight into the local economy and helps to fund things such as education, as well as raising living standards.

There is something else that works. It is the low tax, light regulation model that boosted Hong Kong from abject poverty into first world affluence. It did the same in Singapore, in Taiwan, and in South Korea. It was behind the West German “Economic Miracle” of Ludwig Erhard, and of Japan’s rapid post-war recovery.

The UK should boost development in poorer countries by the two things that we have ascertained work in practice. It should encourage person to person aid transfers from UK people to their relatives in poorer countries. This could be done by giving such contributions the same kind of tax relief that goes to those who make donations to registered charities through Gift Aid. An allowance would be set at such a level as to avoid this generous tax relief being used for tax avoidance or overly advantaging those whose families live abroad.

The UK could also collaborate with poorer countries to have an area, preferably including a port, assigned on a lease of perhaps 30 or 50 years to a consortium, solely at the invitation of the host. It would be a freeport and much more. The governing consortium would set the levels of taxation, and run the area’s policing and judicial administration. They would determine its property laws and its regulatory structure. The aim would be to recreate what Hong Kong and the others did. With the right conditions, property rights and rule of law, international investment would pour in, creating both businesses and jobs locally. Local people would rush to work or live there because of the opportunities.

There is little doubt that untrammelled enterprise would achieve far more than development aid has managed to attain after decades of effort. Combined with incentives to augment person to person transfers, this could set poorer countries on that upward path to affluence and increased prosperity.

## **SOLVING THE PROBLEM OF STUDENT LOANS**

The main problem with UK student loans is that they result in most students leaving university heavily indebted, and in some cases ill-equipped to earn enough to repay the loan they incurred. They have failed to deter students from doing dubi-

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<sup>19</sup> Ibid.

<sup>20</sup> Harriet Barber, ‘Rory Stewart’s “GiveDirectly” Charity Defrauded of Almost \$1m in Congo’, Daily Telegraph, 9 June 2023, <https://www.telegraph.co.uk/global-health/climate-and-people/rory-stewarts-givedirectly-charity-fraud-congo-africa/>.

ous degrees through various “studies” that do not qualify them for well-paying jobs afterwards. When students think they will never have to repay, the deterrence disappears.

Australia seems to finance higher education significantly better than we do. It scores far higher in terms of student satisfaction, and a much smaller proportion of debt has to be written off.

Students accepted at Australian universities have their fees paid, and incur an obligation to repay that sum once they are earning sufficient salary. There are differences, however, between their system and the UK system of student loans. While the Australian system is loan-based, the debt is less visible and less daunting.

One big difference is that, while the total default rate of non-repayment in the UK is nearly 50%, in Australia it is closer to 15%.<sup>21</sup> There are two reasons that probably account for this. The first is that there is no interest added to student loans in Australia. They are topped up each year only in line with inflation meaning there is no increase in real terms. In the UK, by contrast, 3% was added to the rate of inflation. This meant that outstanding (Plan 2) loans in the UK were increasing by 8% per year with the debt piling up. Under the new Plan 5 loans, future graduates will not pay the extra 3% above inflation, but they will have an extra 10 years of continued repayment, from 30 years to 40 years, until their loan is written off. This will make loans more costly for the student. The amount most graduates will repay over their lifetimes on the new Plan 5 student loans will be about double of those with the current Plan 2 loans. We expect the size of student loan debt to reach £460 billion by the mid-2040s.<sup>22</sup>

A second reason is that the salary at which repayment has to start is set lower in Australia than it is in the UK. This means that Australian students start to repay their loans earlier. These two factors probably account for a default rate which is less than one third of that in the UK.

The Australian system of university finance is not a graduate tax because repayments cease once the entire cost has been repaid. A graduate tax, by contrast, would continue as long as the graduate continued earning.

The abolition of the interest surcharge in the UK will almost certainly be self-financing because of the very much lower default rate that might result. It will also be very popular with students, a factor that makes it politically attractive as well as making economic sense.

If we were to adopt elements of the Australian system of student finance, this would undoubtedly improve outcomes in the UK. It is a system that has been found to work better in practice and is more popular with students.

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<sup>21</sup> Madsen Pirie, ‘Student Loans, Aussie Style’, 22 February 2022, <https://www.adamsmith.org/blog/student-loans-aussie-style>.

<sup>22</sup> Paul Bolton, ‘Student Loan Statistics’ (London: House of Commons Library, 4 July 2023), <https://researchbriefings.files.parliament.uk/documents/SN01079/SN01079.pdf>.



## SOLVING THE CHILDCARE CRISIS

Childcare in the UK is very expensive, with only the Czech Republic and Cyprus coming ahead of the UK in costs. Part of the reason is that the ratio of adults required per child is very high. Currently in nurseries and pre-schools, there has to be one adult to three children for under two-year-olds, one adult to four children for two to three-year-olds and one adult to eight children for three to seven-year-olds.

The most recent Family and Childcare Trust's annual report found many parents are spending more on childcare than their mortgage with average fees for part-time childcare for children under two reaching £7,134 per year.<sup>23</sup> Full-time childcare costs for a family with a two-year-old and a five-year-old child are estimated at £11,700 a year.

This is a strong disincentive for young mothers to return to the workforce and contribute to economic expansion. In some countries childcare is heavily subsidised, meaning that a large part of the cost is borne by the taxpayer, rather than by the parents. The tax implications make this an unlikely prospect for the UK, but there are promising alternatives.

Three players that could increase the availability of childcare in the UK and reduce its cost are the government, business and the informal sector of relatives, friends and neighbours.

Government could look at the adult to child ratios in other countries, and bring our own rules into line with those which seem to work successfully elsewhere. It could work in partnership with business to increase the provision of workplace nurseries by providing tax incentives that encourage firms to do so.

There is scope for flexible working arrangements to help parents juggle work and childcare responsibilities.

Schools could play a role in providing shared facilities, joint training programs, and coordination of services.

A huge contribution could be made by supporting and expanding informal childcare. Grandparents and relatives could be encouraged to provide childcare through access to resources and some financial assistance. Neighbours could be encouraged to provide childcare as they looked after their own children. Neighbourhood childcare groups could share the burden of childcare between groups of parents who took turns to share the responsibilities.

And the government could take steps that made it easier for entrepreneurs to set up chains of childcare businesses on a for-profit basis by making the regulatory and

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<sup>23</sup> Megan Jarvie et al., 'Childcare Survey 2023' (London: CORAM, February 2023), [https://www.familyandchildcaretrust.org/sites/default/files/Resource%20Library/Childcare%20Survey%202023\\_Coram%20Family%20and%20Childcare.pdf](https://www.familyandchildcaretrust.org/sites/default/files/Resource%20Library/Childcare%20Survey%202023_Coram%20Family%20and%20Childcare.pdf)

tax environment attractive to would-be investors, such as tax credits for creches in their office buildings.

A combination of such measures could revolutionise childcare in the UK, and bring it within reach of most of those who needed it and at affordable costs.

## **SOLVING THE UK'S ENERGY PROBLEM**

The UK's energy problem is that it needs abundant and affordable energy, while simultaneously meeting environmental concerns. The government wishes to reduce its reliance on fossil fuels, while building up renewable energy sources such as wind and solar power. There is a problem, in that while renewables are reducing in cost, they are still much more expensive than their fossil fuel alternatives, especially due to Britain's lack of storage capacity.

Although people publicly express support for policies designed to reduce the energy environmental impact, their revealed preferences differ from their expressed preferences. It seems that they still want affordable transport, and the ability to heat their homes in winter and cool them in summer. This suggests that promotion of, and reliance on, behavioural change will not be sufficient to address the problem, and that more attention should be paid to increasing supply, rather than to reducing demand.

The energy supply can be a diversified mix of different sources. This diversification can include a combination of renewable energy, nuclear power, and cleaner fossil fuel technologies such as natural gas with carbon capture and storage. By diversifying its energy sources, the country can enhance energy security while reducing environmental impacts.

It makes environmental sense to phase out the most polluting sources first. Coal pollutes more than oil, which pollutes more than gas.<sup>24</sup> This suggests that gas could be the bridge to maintain the supply until lower cost renewables can be developed and rolled out alongside nuclear power.

Increasing the nuclear proportion of the energy mix is important, since it is clean, reliable, and not dependent on foreign suppliers. The UK nuclear proportion is 15%, compared to France's 75%.<sup>25</sup> Since nuclear power plants, even SMRs, take time and great expense to plan, build and go on-line, gas is the obvious bridge until the UK reaches that point.

There is a treasure trove of natural gas beneath us, and the technology in the shape of hydraulic fracturing to access it. The government caved in before environmental lobbyists and set the tremor limit far too low to make it viable. Any tremor over

<sup>24</sup> American Geosciences Institute, 'How Much Carbon Dioxide Is Produced When Different Fuels Are Burned?', n.d., <https://www.americangeosciences.org/critical-issues/faq/how-much-carbon-dioxide-produced-when-different-fuels-are-burned>

<sup>25</sup> Geert De Clerq and Michel Rose, 'France Postpones Target for Cutting Nuclear Share of Power Production', Reuters, 7 November 2021, <https://www.reuters.com/article/us-france-nuclearpower/france-postpones-target-for-cutting-nuclear-share-of-power-production-idUSKBN1D71TM>

0.5ML [local magnitude] on the Richter scale requires fracking to stop and testing and monitoring to commence. Some commentators have pointed out that this corresponds to a lorry passing by in the street, or a cat jumping off a wardrobe in the next room.<sup>26</sup>

Dr Brian Baptie, of the British Geological Survey (BGS), and Dr Ben Edwards, of Liverpool University, argued that the limit could be raised safely to 1.5ML, which, they said, was unlikely to be felt.<sup>27</sup> Politically, this could be implemented if compensation were given to households in the area any time it might be exceeded. It could be a cash sum, or a reduction in fuel bills.

Development of extraction technology should run in parallel to carbon sequestration technology, with awards available for those developing practical techniques for achieving this. In addition, research should be instigated to explore the suggestion that some geologists have made that it might be possible to access parts of the gas field offshore, or from the Isle of Mann, which would probably welcome the extra jobs and opportunities it would bring.

Energy storage has a role to play in handling the intermittent nature of some renewable sources, and a programme to encourage firms to develop the appropriate technologies is yet another item in a co-ordinated, multi-source strategy for ensuring a continued supply of affordable and reliable energy into the future. The use of an inter-connector, such as that proposed by Aquind, offers the UK 5% of its demand in clean nuclear energy, and the possibility of selling to the European electrical market, could help achieve our energy needs - if it is permitted to be built.

## **SOLVING THE IMMIGRATION CRISIS**

It is important, when considering immigration into the UK, to distinguish between migrants who come here to improve their lot in life and asylum seekers, who come to escape civil war or persecution in their home countries.

Some who cross the channel and enter illegally are not solely asylum seekers, with a proportion being economic migrants. They already have asylum in France. 45,755 crossed the channel in dinghies and they are not immediately returned in 2022.<sup>28</sup> The system allows lawyers to tell people to claim they were trafficked in order to claim to be asylum seekers instead of the economic migrants they actually are.

The UK has lost control of its borders, while qualified and skilled would-be legal immigrants face daunting costs, paperwork and delays. The two issues both have to

<sup>26</sup> UK Onshore Oil and Gas (UKOOG), 'Seismicity', n.d., [https://www.ukoog.org.uk/regulation/seismicityUK Onshore Oil and Gas \(UKOOG\)](https://www.ukoog.org.uk/regulation/seismicityUK%20Onshore%20Oil%20and%20Gas%20(UKOOG)).

<sup>27</sup> Reuters Staff, 'Experts Say It's Safe to Raise Limit for Tremors at Britain's Fracking Sites', Reuters, 22 January 2019, <https://www.reuters.com/article/uk-britain-fracking-idUKKCN1PG1MK>.

<sup>28</sup> Home Office, 'Irregular Migration to the UK, Year Ending December 2022' (London: Home Office, 23 February 2023), <https://www.gov.uk/government/statistics/irregular-migration-to-the-uk-year-ending-december-2022/irregular-migration-to-the-uk-year-ending-december-2022#how-many-migrants-were-detected-arriving-in-the-uk-via-small-boats>.

be addressed if the problem is to be resolved.

For skilled personnel and those with jobs waiting in the UK, the solution is to auction visas that would allow them to come and settle and work.<sup>29</sup> The visas would be paid for, not by the applicants, but by the firms wishing to employ them, and the auction process would ensure that those admitted would be the ones who would add the highest value to the British economy. This could be streamlined, with offices in the countries from which applicants sought to come to the UK. The UK could decide the overall numbers, and then have British and international firms bidding for the numbers they wanted to employ here.

Several countries, including the US and some EU members, make business (or ‘golden’) visas available, sometimes with a fast track to citizenship, for those who invest a minimum sum or who purchase a requisite amount of property in the country. This ensures that the recipients will be net economic contributors to the countries they apply to. The UK should establish a similar scheme for foreign nationals prepared to invest here.

For those who are crossing the channel in small boats, the policy should be to make it clear that those who enter the country illegally will not be allowed to stay. It must be resolved by Parliament that no international or European court will interfere with this determination. Instead of being housed in hotels or barges or other temporary accommodation, they should be immediately deported with no chance of appeal and no process that will prevent this.

Much more could and should be done to prevent them from coming in the first place. Just as people who buy used cars with cash are subject to surveillance in case terrorist use is planned, the UK, in cooperation with its European allies, should establish that purchasers of dinghies should be subject to surveillance to determine if they have any legitimate uses for them. It might be useful to have tracking devices incorporated into dinghies so that their movements can be tracked.

Once it becomes more difficult for illegal crossings to be made, and there is certainty that none who do so will be allowed to stay, the UK will have reasserted control over its borders and will be able to process those applying to come here legitimately to take up jobs, or who are genuine asylum seekers, usually wishing to join relatives in the UK, and can be admitted as part of the UK’s humanitarian contribution to a worldwide problem.

## **SOLVING THE BANK OF ENGLAND PROBLEM**

The recent performance of the Bank of England has been the worst since it received its independence 25 years ago. Charged with keeping inflation at 2% annually, it has allowed it to rise into double figures. It raised interest rates a year too late to handle the inflationary pressures. When pension funds had to sell gilts to remain liquid,

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<sup>29</sup> Duncan McClements and Bryan Cheang, ‘Optimising for Our Openness: The Economic Effects of Visa Auctions in the UK’, Briefing (London: Adam Smith Institute, 25 May 2023), <https://www.adamsmith.org/research/optimising-for-our-openness-the-economic-effects-of-visa-auctions-in-the-uk>.

it bought gilts instead of proposing a one-year suspension of the liquidity requirement. The personnel at the top have failed to discharge their duties responsibly.

What the Bank's personnel failed to realise was that the Quantitative Easing (QE) done in response to the pandemic was very different from that done following the 2008 crash. Although some critics predicted high inflation after the QE of the 2008 crisis, it did not materialise to any great extent because the extra money did not largely leak into the general economy, because it was contained within the banking system.

Central banks purchased large quantities of financial assets, primarily government bonds and mortgage-backed securities, from commercial banks and other financial institutions. By doing so, the central banks increased the reserves held by these banks, effectively injecting money into the banking system. However, the money remained within the banking sector as it was held as excess reserves by the commercial banks and was not immediately lent out into the broader economy.

Much of the money created to deal with the Covid pandemic went into the everyday economy. It went into support for small businesses. It went to help the hospitality industry in the "Eat out to help out" campaign. It went to buy PPE equipment and to help fund the vaccine programme. It went to support employees on a furlough programme. It went into decisions to buy or sell, and to hire or fire. It was not anaesthetized in bank vaults, but went into circulation.

The result was inflation, and the Bank took its eye off the ball. Worried about recession, it acted a year too late in acting to snuff out inflation. Concerns about the judgement of the Bank's personnel were raised when some of its members were publicly attributing inflation to the Brexit that began seven years ago. Or more recently to the Russian invasion of Ukraine. But inflation is a monetary phenomenon, caused by excess money, and the Bank should have known that. It was visible in the rapid rise of many money metrics, like M2 and M4x.

The result has been an inflation rate still over four times the target figure of 2%. This has led to wage demands that soured industrial relations and led to widespread strikes.

A major factor behind these errors of judgement is that HM Treasury has effectively ended BoE independence. They appoint their own to the top roles, and put in pliant externals whom they know will toe the line. No 10 and No 11 should now take charge of this very important appointment process, rather than simply rubber stamping what the career HM Treasury civil servants decide. It should not be current or previous career bureaucrats deciding this, but should involve people within the political process who have to answer to the electorate.

It is the personnel who have failed, not the institution, so the solution is to change the personnel and the method of appointing them.

