

# THE POUND'S PLUNGE

By Gareth Seward ([Facebook](#), [Twitter](#))



Last week the pound plunged to almost parity with the dollar, hitting a record low of \$1.035. Make no mistake, whilst Liz Truss and Kwasi Kwarteng are the easy fall guys for the hysterical media – and the quasi-cultish anti Tory bandwagon of the left – to pin their frenzied outrage upon, the pound has been declining steadily against the USD for some time and has lost twenty-one per cent since the beginning of 2022 alone, long before Truss came to office three quarters of the way into the year. Bond yields have also risen everywhere, not just in the UK, in a response to the feeble attempts to counter inflation. It is disingenuous to blame Kwarteng's so-called "mini budget" as the sole arbiter of such doom.

Source: PPP, [Wikimedia \(CC BY-SA 4.0\)](#)

However, whilst the weakening of the pound against the dollar has more to do with the strengthening of the US currency with the Federal Reserve pushing up interest rates steadily and consistently if not substantially, compared to the Bank of England's meagre and reluctant plodding, there's no doubt that the Truss-Kwarteng partnership's economic "plan" spooked temperamental markets enough to see the pound briefly sink to such a low.

The UK is running both a large current account deficit as well as a massive budget deficit. This leaves the country particularly susceptible to the whims of foreign markets. As such, any quiver in foreign investment will rock the boat, and news of the Truss government's plans to substantially increase our borrowing without any significant interest rate rises from the Bank of England along with the proposed abandonment of tax increases caused a bit of a wobble, reportedly wiping £500 billion off the bond and stock markets.

The over-dramatic panic that ensued saw the Bank of England announce that it was temporarily abandoning its "quantitative tightening" program and going back to purchasing long term government gilts. This was an effort to basically bail out pension schemes that are leveraged Liability Driven Investment funds (LDIs) to prevent their collapse after the yields on 30-year gilts had jumped from 3.6 per cent to 5.1 per cent.

However, the central bank's reversal, temporary or not, on their policy supposedly introduced to help temper inflation has not only put the taxpayer on the hook for another £65 billion, but also ensured an exacerbation of future inflation and a subsequent further strain on the cost of living. It is a common notion to dismiss the severity of government debt on the basis that the Bank of England buys much of

it anyway through government gilts (it currently owns around forty-five per cent of the debt), but that misses the point. Not least for the fact that to buy the debt the Bank simply prints the money from nothing, thus becoming a major contributor to the inflationary process. But apparently, we're not supposed to acknowledge that.

The abolishment of the pending increase in national insurance by 1.25 per cent, along with cuts in the basic rate income tax and stamp duty threshold, an abolishment of the higher rate income tax as well as the forthcoming six per cent increase on corporation tax were all announced by the government last week. Whilst the reduction in taxes and the abolishing of pending increases are good and welcomed, they are totally meaningless without spending cuts, and even more so if our borrowing is set to soar. Simply put, reducing tax revenue today in such conditions will just lead to higher taxation – and inflation, the stealth tax – further down the road.



Source: Katrina Tuliao, [Wikimedia \(CC BY 2.0\)](#)

It was this almost paradoxical, self-contradictory plan that freaked the markets out, as this nonsensical policy of borrowing excessively whilst low interest rates remain, spending more such as the recent announcement of subsidising the energy companies, whilst abandoning pending tax increases and reducing present taxes will simply see inflation fuelled even further and our debt blow up astronomically. However, what has been overlooked though by most commentators in their gleeful haste to condemn Truss, Kwarteng, and the country in general to financial doom and gloom, is one thing that has not been aborted – the plan to freeze the income tax threshold. This stealthy plan by the Tories will see close to nine million people be pushed up to higher tax brackets over the next three to four years, resulting in an extra £46 billion being paid in tax according to the Centre for Economics and Business Research.



Source: Office of U.S. Ambassador to U.K., [Wikimedia \(Public Domain\)](#)

The Prime Minister and the Chancellor say the aim of their plan is to achieve economic growth. They are correct that such reductions would promote that idea, it would make Britain far more competitive on the global market providing incentives for more businesses to base themselves here, as well as attracting the employment of top-level people who subsequently improve our economic output. The problem is that Truss and Kwarteng have only got it half right. And getting it only half right in this situation means you may as well have got it all wrong. We keep hearing that they are both staunch free marketeers, though my definition of a free market seems to be very different from the typical political version. However, it seems they wish to be all things to all men, appealing to all colours of the spectrum, and that simply will not work.

Their position on taxes and supposed deregulation would typically be welcomed by those of a more libertarian persuasion, however their corresponding approach to borrowing and spending runs completely contrary to any fiscal responsibility such a position would usually advocate. Such extravagant levels of expenditure would instead appeal to the populist nature of those of a more socialist inclination. Truss must choose what she wants to achieve, either to be popular or to be serious about any

recovery and growth. You can't make any hybrid half measures, as it will only result in further mess and economic pain. If you must make plans for any sort of economic strategy towards recovery, then you need to go all in. Pick a position and commit to it. Of course, the sensible position would be to focus on reducing spending, debt, and deficits, not increase them further. It would be politically unpopular, but it would be economically sufficient.

The dire economic situation that we find ourselves in is not a shock that has come out of the blue. It is from well over a decade of central bank and political malfeasance. We are now in such a position that whatever manoeuvres are to be made attempting to solve one problem will cause equal or greater problems elsewhere, and this catastrophic mess has been of the state's own making – artificially suppressed interest rates, loose fiscal and monetary policy, excessive credit expansion and money printing and so on. Liz Truss and Kwasi Kwarteng are in an unenviable position of being damned if they do, and damned if they don't. However, their strategy of having their cake and eating it will ensure a spectacular and rapid failure not only for them, but also for the entire country.

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# RESPONSIBILITY BLACKOUTS

By Stephen McNamara ([Website](#), [Twitter](#))

The conferences from the authoritarian parties of the United Kingdom have not brought any surprises, never mind any hope. The Labour conference was desperately quiet, especially when recent Conservative failings have put them so far behind Labour in the polls. The SNP conference was a complete washout. Empty seats outnumbered the attendees whilst the European Nationalists used the distraction of Ukraine to deflect attention away from Scottish independence. Then there was the Conservative conference where their latest accused sex offender, Conor Burns, MP for Bournemouth West, was allegedly caught sexually touching a man at a bar in the conference.



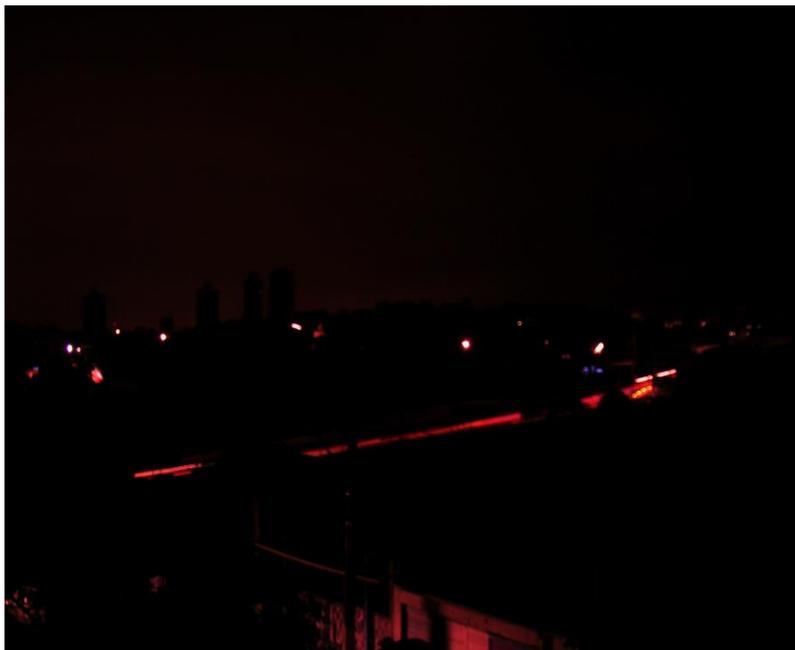
Source: Rwendland, [Wikimedia \(CC BY-SA 4.0\)](#)

The PM has done everything yet done nothing. I remember arguing with other libertarians about her proposed tax cuts and people telling me I should be grateful for the little step in the right direction for a change, only for days later to be proven right and a Conservative government back to their socialist policies of tax and spend. The real crises that people are facing right now include wage stagnation during a time where some essential supplies are costing well above the economic definition of “hyperinflation”! The government's answer: MORE inflation!

Perhaps this is time for a choice. It's time to vote for someone other than the usual crews. Come the next general election, don't vote for any of the three incumbent government parties. Gift your vote to small parties and independent candidates. The only way to ensure the floor is clean is to sweep every piece of dirt right out the front door! Until then, we need to look at our own circumstances. How can each of us prepare for the oncoming slaughter this winter?

Power cuts will be the biggest concern for many. We've already seen in recent years the devastation and deaths that arise from power cuts in small scales, but when the entire British Isles face power shortages on a rolling rota, no one will be coming to save you. You'll be on your own. For those in their own homes, and some garden space, £2k-£3k will buy you a nice little backup generator with will

comfortably power a typical home, which automatically switches on during an outage, and off again when power is restored. Stocking up on diesel oil to run it for the winter may hurt a few pockets of those who can afford the initial installation, but those long cold nights will be comfortable.



Source: Luca.s, [Wikimedia \(CC BY 3.0\)](#)

I realise that not everyone is in that same boat though. Simple camping gas stoves and plenty of spare bottles of gas will keep a family eating warm food during blackouts. Wall mounted candle holders will look good as part of your decor yet serve as an essential source of light at times of need. Keeping a supply of candles is relatively easy as they don't spoil for a very long time and can last for years even if you don't use them very often.

Telecoms are usually the last to suffer and the first to be restored so having a battery back-up to your communications such as Wi-Fi through a sim card or such like will help to keep you and your family connected with friends and sources of reliable information so that you can plan and prepare further.

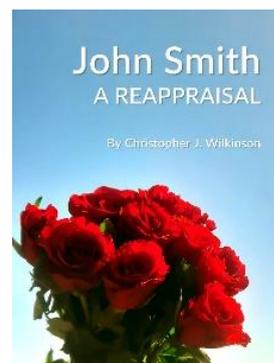
Keeping ice packs in a freezer to use in a fridge during short term power outages will help prevent your chilled food from spoiling, but if the blackout is expected to be prolonged, plan to use up your fresh and frozen food before the tinned food. Having a supply of long-life food and drinks will help keep you healthy and sane to survive long enough to see this winter through. This might be the last winter we see with the current Conservative government at the helm.

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