

## Labour's mad economic plans would ruin Britain



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John McDonnell, the shadow chancellor, has outlined Labour's economic plans

If anything, John McDonnell, Labour's shadow chancellor, was controlling himself, restraining his more extreme instincts. He didn't actually call for the nationalisation of all of the economy, or the introduction of compulsory wage equality, or 90pc tax rates; instead, he tried his best to sound moderate. It didn't work. His programme is [ruinous, backward-looking and economically illiterate](#).

True, the Confederation of British Industry managed to put out a mealy-mouthed, painfully laboured press release which wasn't entirely hostile. But the bottom line remains that a Labour government led by [the re-elected Jeremy Corbyn](#), McDonnell and their hard-left allies would be a disaster for the economy and for business.

He wants to [massively increase public spending, dramatically increase government intervention](#), introduce a Seventies-style industrial strategy with real teeth, decide what parts of the economy are legitimate and which need to be shut down, hike the minimum wage further and faster, and tax wealth.

It would be a recipe for calamity, a financial and social catastrophe, a negative productivity shock of the like we haven't seen since – yes, you've guessed right – the Seventies. Those companies still reeling from the Brexit vote need to realise that it is Corbyn's Labour, not our imminent departure from the EU, that is the real enemy.

This is especially true of the banks: according to the shadow Chancellor, financial services are legitimate only if they provide a "clear benefit" for society, whatever all of this means. By contrast, Ed Miliband's "predatory capitalism" sounds almost Thatcherite. Needless to say, McDonnell would have the power to decide what goes and what doesn't; he also wants to ban companies from leveraging up to pay out dividends, even though this can often be sensible. There can be such a thing as too little debt in a company's capital structure.

The Trades Union Act would be repealed, which would destroy industrial relations and recreate militancy in the workplace. Giving union bosses undemocratic power over ordinary workers didn't make sense three decades ago; it is laughable today at a time when private sector workers are now very unlikely to belong to any organised labour group.



Jeremy Corbyn was re-elected on Saturday

McDonnell isn't even a real pro-industry socialist; his energy policies demonstrate that he is in fact a metropolitan luvvie who wants to Hoover up Green votes. He wants to ban fracking, one of the great hopes of swathes of the post-industrial North of the country. Fracking would force down energy prices, as it has in America, boosting manufacturers and intensive energy users. It would also create many well-paid jobs, and rejuvenate many troubled areas.

The shadow chancellor's plan to introduce a "real living wage", enough for a "decent life", sounds good but would in fact be unbelievably cruel. At some level, pushing up the price of labour leads to a reduction in the demand for it, or at least for low-productivity workers.

Labour would test this to destruction and force many low-skilled people out of the market, undoing Britain's remarkable jobs performance.

Then there is his appalling plan to shift tax from income to wealth – an impossibility, given that the tax burden would rise so much under Labour that it would have hammer both much harder. Wealth taxes are a terrible thing because they undermine (and in extremis, destroy) the idea of private property.

A tax on residential property turns freeholders into leaseholders, with the state in charge: slowly but surely, property owners are forced to sell off their possessions to pay their taxes. A tax on financial property – shares, bonds, securities, bank accounts – means that individuals would no longer really own their business or their assets in any meaningful sense. They would have to liquidate them to pay HMRC; on income yielding assets, a wealth tax would be tantamount to a confiscatory levy on profits, dividends and interest.

Wealth taxes kill capitalism; they ruin nations and destroy societies. It is clear that he doesn't believe in private ownership: his plan to give staff the right to buy (with what money?) any company that is being sold or shut means that owners would no longer be entitled to sell their property to whomever they like. This would dramatically undermine the foundations of our economic system.

As to his industrial policy, it would simply amount to bailing out losers and propping up lame duck, inefficient industries that waste resources. Productivity and economic growth would decline; we would all end up impoverished. It is pitiful that the shadow chancellor and his comrades have learnt so little from past, failed experiments to buck the market. It is equally pathetic that he doesn't see that all of the extra debt – he seems to think that £250bn is easily affordable – he would rack up would crowd out the private sector or at least cripple our public finances.

Given all of this, the many critics of the [Theresa May's government](#) in the City need to stop and pause. Yes, many big companies, especially in finance, backed Remain. But the Tory party is reflexively pro-business and still pretty pro-capitalist, even if I would like it to go much further.

The same cannot be said of the neo-Marxist, angry mob that has taken over the Labour party, making it even more left-wing than the French Socialist party (a tragic development many of us never thought possible). So business needs to be calmer in its Brexit negotiations. It's the Tories, or Armageddon. There is no Blairite alternative, no third way, and the sooner UK Plc wakes up to this the better.