

Putin has Pulled off a Shock Win that Could Destroy the Free World

Description

by Allister Health via [Telegraph](#)



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We risk ending up with calamitous poverty, civil disobedience, a new socialist government by next year, a break-up of the UK, nationalisations, price and incomes policies, punitive wealth taxes and eventually a complete economic and financial meltdown and IMF bailout. [The situation in the EU is, if anything, worse.](#)

This is not a plea for pacifism, for looking away when Ukraine is being illegally invaded by a savage regime. Britain was – and remains – morally right to back Ukraine in a carefully calibrated way. Instead, this is a plea for an economic counter-offensive, for Liz Truss, the next PM, to tackle Putin's economic and energy war head-on.

Mass, immediate intervention is inevitable, but must be designed to avoid hastening Britain's shift into demagoguery, welfarism and socialist central planning, all steps down Hayek's "road to serfdom" that the Leftist and green elites are longing us to take. The wrong response – because too little is done, or because the wrong solutions are chosen – would merely advance Putin's masterplan to cripple the West.

Cheap and plentiful energy is essential to our consumerist societies. We cannot be delusional about the scale of the developing catastrophe. Household energy and vehicle fuel costs will jump from 4.5 per cent of household spending in early 2021 to some 13.4 per cent by April next year, much higher than at any time during the past 50 years, including the 1970s, according to Carbon Brief. Households may face a rise in energy costs of £167 billion, or 7 per cent of GDP, taking total expenditure to £231 billion, more than government spending on health, and that is before the hit to business is accounted for. The rise for consumers alone is more than the combined defence and education budgets.

This is equivalent to a Depression-style shock. Pay rises will protect some workers at the expense of investors, but – until and unless energy prices fall again – our national living standards will slump massively. The nation is sending tens of billions more abroad to pay for energy imports.

The state can borrow to cushion the blow, reducing future consumption to prop up current living standards, but our impoverishment cannot be magicked away. Coming after [years of QE](#), there is a real danger of excess borrowing triggering even higher inflation, rocketing interest rates, mass repossessions and a banking crisis, so caution is imperative.

There was little the West could do other than rely on hostile Opec nations in the 1970s, the last time an energy war almost destroyed us; but it was an unforgivable error for Europe to become so reliant on Russian supplies, and to fail so miserably to increase domestic energy production. The French even allowed their nuclear plants to break down.

Putin struck at the right time: the zombified Western economy was in the doldrums. Covid was a disaster of unpreparedness and errors, increasing national debts and inflation and entrenching a dependency culture. But the Russian tyrant's canniest move was to understand just how suicidal our energy policy had become. A toxic brew of [net zero ideology](#), deep hypocrisy about decarbonising without making the nuclear effort, endemic nimbyism, short-termism and state incompetence had radically weakened the West.

There are four broad emergency options. The first is targeted help: anybody under a certain income gets cash from the state, paid for by borrowing. Some needy cases would be missed, however, and can the benefits system cope? The second is to freeze energy prices for all, with the state subsidising the acquisition of gas: this looks “free”, while in fact it massively increases the national debt, as in France. The third is to cut taxes dramatically, something the Left always rejects as “untargeted” or “regressive”. The fourth is to help some or all firms.

Whenever possible, [Truss must cut tax](#); whenever possible, she should target help on families and companies that need it and avoid bailing out the well off; if she must cap prices, given the total collapse of the system, she needs an exit strategy; and she has to launch the greatest, most urgent energy infrastructure programme in history while suspending as many green rules as possible. She needs to work visibly with business, showing voters they are delivering big investments under warlike conditions, reducing the pressure for confiscatory windfall taxes.

On top of the extra debt, all these options come with downsides. All four are being weaponised by the Left to shift politics permanently in their direction. For many activists, this is a useful crisis. They are calling for wealth taxes and income tax surcharges: they claim that this would be “just” if the “rich” benefit from untargeted handouts or price caps. They demand “social tariffs”, where the rich or bigger

users pay crippling surcharges.

But once such taxes are imposed, they never go away. In France, the Left are calling for [bans on private swimming pools](#), private planes and even detached housing: permanent green austerity. The Germans are slashing the cost of public transport, supposedly to save energy but really to undermine the private car. In Britain, there is huge support for nationalisations, even though they wouldn't increase the supply of energy or reduce its cost. Price caps, made mainstream thanks to Theresa May, are now the norm: ever more wages and prices are set by civil servants. Will supermarkets be next?

One paradox of Putin's neo-Soviet revanchism is that it is strengthening America's position as leader of the West. The US emerged better from Covid. Its interest rates have gone up faster, bolstering the dollar. Its health care system hasn't fallen over like the NHS. But it is its energy policy – “Frack, baby, frack”, as the Republicans advocated in the early 2000s – that has been the real triumph. Tyler Cowen, the George Mason University polymath, argues in a Bloomberg piece that “2022 may be remembered as the year when living standards in the US truly pulled away from those in Western Europe”.

Why, oh why, did Britain and Europe allow themselves to become Putin's hostage?