



What Truss's pre-government writing can tell us about her approach to government

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Liz Truss is favourite to become our next prime minister. Naturally, the media is scouring for clues on how she would govern, and linking campaign pledges to personnel rumours to predict a policy agenda.

Yet there's been a glaring omission from most coverage: analysis of Truss's own pre-government writings, both in think-tank reports and as convenor of the Free Enterprise Group (FEG) "caucus" in Parliament.

Views change, of course. A whole decade of government experience and the new post-Brexit context have no doubt altered Truss's priorities, as well as her understanding of Whitehall.

But her musings from the 2008-2012 period still yield interesting insights into her economic disposition, including what policies beyond tax cuts she might pursue.

Britannia Unchained – written alongside Dominic Raab, Kwasi Kwarteng, Chris Skidmore, and Priti Patel – was FEG's final statement of principles, published just as Truss entered government. Though sharply criticised by the left, its careful critics noted that it ultimately reflected a "hard-headed optimism" about the British economy.

This was no unthinking call to re-model the economy into a Singapore or Germany, nor a clarion cry to attempt an industrial rebalance. The FEGers such as Truss instead emphasised, correctly, that Britain had unique strengths, including in services, that policy should build upon.

What was needed for greater prosperity, they thought, was more hard work and self-reliance on behalf of the public and governments removing policy barriers to productivity-enhancing innovation. The UK needed to learn from, rather than replicate, best practices in Israel, South Korea, the US and elsewhere to encourage entrepreneurial activity and escape a low-growth trap.

At the time, I was wary of the "hard work" worship of parts of the book (Truss blamed this on Raab in the recent debate). Productivity growth is almost definitionally about how working smart, not hard, is the route to prosperity.

But this broader optimism about how better policy could improve lives really put FEG firmly in what Sam Bowman describes as the “Boosters” camp. That is, people who think that policy is not powerless to improving growth prospects.

This is a breath of fresh air from the pervasive presence of “Doomsters.” A significant number of Conservative MPs appear fatalistic about growth, as if it is fully shaped by uncontrollable external trends. For them, economic policy becomes limited to managing the public finances or splitting the pie.

This Boosters vs Doomsters faultline has manifested itself in the leadership race, with Truss more confident that tax and regulatory changes can improve our economic prospects.

Her FEG writings understood, however, that in anything other than the short-term, the whole growth vs deficit control debate we are hearing framed today is a false dichotomy. Not only do many growth-enhancing policies (including planning reform) not require upfront deficits or else actively improve the public finances, but unsustainable fiscal policy eventually harms growth.

The key dividing question for candidates is really then: when issues of growth and balanced books do conflict in the near-term, which should be prioritised? After 14 years of sluggish growth, Truss’s case for elevating its pursuit is strong.

Truss’s FEG experience, though, gives every indication that she’s still a fiscal conservative – albeit one more motivated by restraining spending. Kwasi Kwarteng, her potential Chancellor, heaped praise on the Swiss debt brake. This is a constitutionally-grounded rule that caps most government spending to the limit of the country’s tax revenue potential at current rates, ensuring the books balance over the economic cycle.

Predictably, the debt-to-GDP ratio has actually fallen in Switzerland since 2008, despite the financial and Covid-19 recessions. It’s been largely overlooked, but even last week Truss said she would limit spending growth to below the growth rate of the economy.

Truss’s solo-authored work highlights a similar readiness to learn from what’s worked elsewhere on the supply-side, particularly around labour law. One paper she wrote on Germany celebrated the success of the country’s Hartz reforms in enhancing labour market flexibility and reducing unemployment, in particular through “midi-jobs” outside of the social security system and small business regulatory exemptions.

Low unemployment today means Conservatives have shifted away from their early 2010s push for labour law reforms (remember the Beecroft report?).

Yet Truss’s writing implies that if there is a clear trade-off between government-granted security for workers and employment, she would opt for job flexibility with low unemployment every time. She regards flexibility as a virtue, not a vice – a key feature of an “antifragile economy” that can prosper in the face of regular shocks.

Indeed, a lot of her pre-government policy work was on the childcare sector and how its expense excluded parents from better job opportunities. Overbearing governments have progressively formalised this sector in ways that have hiked costs of provision.

She rightly saw that relaxing hurdles and stringent staff-child ratios on providers is the best way to lower prices and broaden options, such that childcare is less taxing on families' work decisions. Expanding supply, rather than subsidising demand, is her first instinct.

There are some areas where her past writing raises questions given today's zeitgeist, though. Truss recently criticised how the Treasury's "economic orthodoxy" is holding Britain back. Her issues with its pro-tax hike 'bean-counting' follow Boris Johnson's parting complaints about the Treasury's 'wisdom' in opposing big infrastructure projects.

It's intriguing, then, that Truss's FEG wanted a larger economic role for the Treasury, rather than its diminution. Back then it was thought that other departments' failure to account for the anticompetitive effects of regulations was gumming up the supply-side of the economy. There was an explicit FEG proposal to expand the Treasury by paring back the economic functions of other departments, such that HMT could police open markets consistently to maintain good supply.

Given Truss's intention is still for supply-side led growth, would the Treasury be spearheading this effort? If not, which institution would?

One way of loosening the Treasury's strictures on infrastructure policy might be to adopt another FEG proposal: create a new Ministry for Infrastructure to manage large, strategic projects. But the FEG reasoning for that institutional innovation was to ensure projects selected gave the "greatest economic return."

How does this fit in with the levelling up agenda, which deems it virtuous to promote infrastructure projects of lesser upfront value to close the development gap between regions?

There are big economic issues that FEG avoided writing too much about, including on energy and immigration. The key takeaways from this reading, though, are that Truss has long thought that there was insufficient focus on growth, that better policy can meaningfully improve it, and that supply-side regulatory reform is the dog that hasn't barked in delivering it.

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