

# The Economic Crisis and Responsible Opposition

## *A letter to the Herald, October 2008*

Sir,

Some commentators have been asking why the Conservative opposition have not been more vociferous in criticising the Government's attempts to get the country through the present economic turmoil.

People are worried about their savings, their mortgages, their pensions and their jobs. Newspapers are full of grave predictions, and the financial markets have seemed almost hungry for more bad news. In such times, politicians have a greater duty than ever to behave, and speak, responsibly.

The Conservative approach is to work with the Government to help the country through the immediate crisis, while holding them to account over key elements. We are equally focused on ensuring that the foundations are laid to minimise the risk of such a crisis occurring again. Nowadays, national governments are to an extent at the mercy of international forces. But it is up to each country to prepare and insulate ourselves as best we can for the 'shocks' the world economy inevitably will throw at us.

David Cameron and George Osborne consistently warned that an economy built on debt was not built to last. But Gordon Brown did nothing to stop the debt boom before it became a bust, and put nothing aside for the hard times we now face. He has left Britain facing an economic crisis with both unprecedented levels of personal debt and a huge public budget deficit.

For sure, we should never have got to this point, but we are where we are.

Conservatives support the recapitalisation of the banks, and will work constructively with the Government. We argued that it must be a rescue package for the economy and for the millions of families and employers who depend on it, not just for bankers.

In future, the Bank of England must force the banks to put aside capital in the good times, to prevent the need for another taxpayer rescue. And clearly, the entire regulatory framework needs a root-and-branch review.

Our proposal to raise the deposit protection guarantee to £50,000 was a sensible one, and it is encouraging that the government followed it. A general deposit guarantee should be kept as an option, but it would be a major step to take. In the current situation, the £50,000 limit may yet need to rise further.

A further practical proposal is our call to make special allowance for people close to the age limit for taking a retirement annuity. Some people close to their 75<sup>th</sup> birthday are faced with the prospect of having to cash in stock holdings for an annuity at a time when their value has been hammered. The worst form of this problem affects a relatively small group of people (since in most pension arrangements, funds move into less volatile assets as retirement approaches). But for those it does affect it is a huge problem. We want to see an immediate change to the rules so that people don't have to make long term commitments before things have begun to settle down.

Looking wider than the financial crisis itself, Conservatives have worked up an integrated package of practical help for people and firms in the difficult times ahead. These include ideas like the Fuel Duty Stabiliser to cut petrol duty when oil prices rise; help for first-time buyers by taking 9 out of 10 out of stamp duty; reducing energy bills for millions of people by enabling direct debits through their post office accounts; and giving companies facing bankruptcy a breathing space to prevent job losses.

At a time of economic crisis, responsible opposition is about criticising selectively, proposing constructively, and laying out a clear alternative plan for the future.

Sincerely

Damian Hinds

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