Published on *Adam Smith Institute* (http://www.adamsmith.org)

Economic interventionism returns [1]

Written by **Dr Eamonn Butler** [2] | Monday 14 January 2008

Is there a new interventionism in the air in Britain? Faced with a credit crunch, Chancellor of the Exchequer Alistair Darling has said pretty plainly that he believes it's time for interest rate cuts. That's despite the fact that the Bank of England is supposed to be independent. But then who appoints most of the people at the Bank who decide interest rate policy? Yes, you guessed it.

In response to soaring energy - up to 24m homes face double-digit rises in their fuel bills - bills the Chancellor has also demanded an urgent meeting with industry leaders. And officials and watchdogs like Sir John Mogg, chair of the Gas and Electricity Markets Authority, and Alistair Buchanan, chief executive of Ofgem, are being pulled in for talks.

Again, energy prices are supposed to be depoliticized, and the Chancellor cannot order the (private-sector) energy utilities to cut their prices. But he can kick and scream in the hope that the regulator might do so.

Pricing - whether it is the price of credit or the price of gas and electricity - in this country is a sham. Politicians still have too much influence. This week the Bank held off cutting interest rates, but everyone expects it will do so next month. The political pressure will continue to mount. But then politicians want to fix the immediate problems, and if that simply stokes up inflation later, well, so be it. It's not that the Brown government is suddenly more interventionist than the Blair one. The problem is that its principal members are even more cowardly.

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