TRUSS'S 44 DAYS OF MISRULE

INTRO : PAIRWORK

1. **Explain what gambling consists in by completing the sentences**

KEY TAKEAWAYS (FROM INVESTOPEDIA.COM)

- Popular games like football pools or poker …………………. .
- Speculators also use gambling methods, by ……………. .
- In both gambling and investing, a key principle is …………. .
- Gambling is dangerous because gamblers have few ways ……………. .
- While investors can use relevant information to make decisions, gamblers ….
- On the long term, the investors' odds …………………… .
- However, long-time gambling often leads gamblers ……………. .
- There are also political gamblers ! It was quite irresponsible for Lizz Truss…

1. …………. to lose their initial funds and go bankrupt.
2. …………. to minimize risk while maximizing reward.
3. ……………. buying and selling shares to make quick profit.
4. ……………. make bets on the future.
5. …………….. to gamble on the British economy by making unfunded tax cuts.
6. ……………. to mitigate their losses.
7. ………………… will be in your favor.
8. …………………. are based on gambling.

2. **Sum up Lizz Truss' 49 days at 10 Downing Street**

   (write a paragraph, using past tenses, articles and linkwords)

7 July 2022 – Johnson leaves 10 Downing Street after « Partygate Scandal ».
5 September – Truss wins Tory leadership contest, she beats Rishi Sunak.
23 September – She publishes « mini-budget » to House of Commons.
23 September – Chancellor Qwarteng announces unfunded tax cuts to Commons ; he plans to abolish 45% top rate of income tax.
29 September – financial markets panic. Pound falls to lowest value since 1949. Tory MPS protest against PM.
12 October – Tory protests rise in Commons. Truss refuses to reverse tax cuts.
14 October – She sacks Kwarteng to appease Tories and financial markets. Jeremy Hunt replaces Qwarteng as Chancellor.
17 October – Truss loses respect of Cabinet. Hunt reverses most of mini-budget.
18 October – Media humiliate Truss. *Daily Star* tabloid releases "Truss v Lettuce" and writes : PM is on "leaf support".[1]
19 October – British politics turn to farce ; House of Commons falls into chaos. Truss shouts at Home Secretary for 90 minutes. She sacks her.
20 October – 15 MPs publicly call for Truss to go ; 1.30pm : she makes a farewell speech ; she quits 10 Downing Street.
25 October – Rishi Sunak is Conservative leader. He accepts King Charles III's invitation to form a government. He becomes PM.

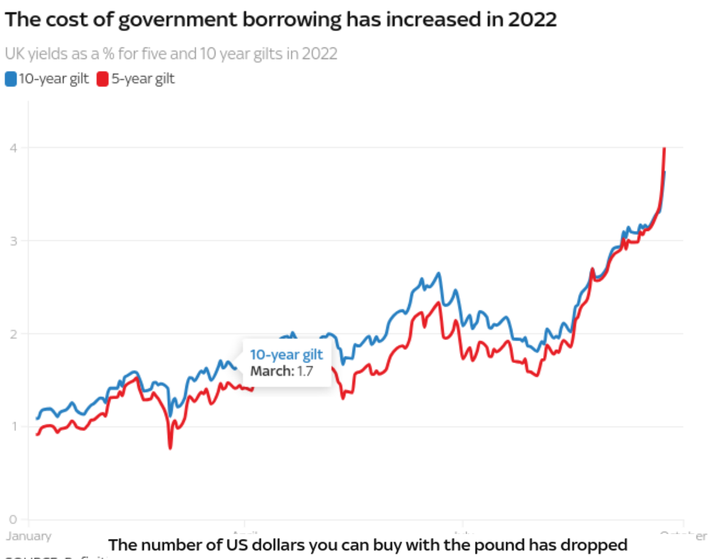
[1] Find out what the joke is !

3. Why did markets panic when the Chancellor published Truss's mini-budget?

from
https://news.sky.com/story/mini-budget-why-financial-markets-have-been-spooked-by-chancellors-growth-plan-12703889

1. FACTS

a) The yield (an implied borrowing cost for the government) on 10-year gilts, which was 3.495% at the close of business on Thursday evening surged to as much as 3.842% at one stage - a level not seen since April 2011.



b) Similarly, the yield on 5-year gilts, which on Thursday evening stood at 3.353%, surged at one point to 4.047% - a level last seen in October 2008. It is the biggest one-day move seen in 5-year gilts in 31 years. Meanwhile, the yield on 2-year gilts rose to their highest level since October 2008 in their biggest one-day jump in 13 years.

c) Having traded on Thursday evening at $1.1257, the pound fell at one point to $1.1064, a new 37-year low. Lots of currencies have been hitting multi-year lows in recent sessions against the US dollar, most notably the Japanese yen or the South Korean won, so sterling is far from unique in this regard.But the pound also fell by 0.75% against the euro on the mini-budget

2. EXPLANATIONS

a) The Chancellor's high risk, high reward strategy : By cutting taxes and improving incentives for businesses to invest, the chancellor was seeking to pursue growth. He announced some £45bn worth of tax cuts, along with the sums the government will be spending to protect households and businesses from the impact of higher energy bills. It meant there was going to be more public borrowing than previously announced.

b) Fiscal loosening v. inflation control : what the gilt market was worried about was this amount of fiscal loosening, at a time when there is monetary tightening being carried out by the Bank of England.

c) 'Bond vigilantes' : this phrase was coined in the 1990s to describe the way that bond investors could effectively impose fiscal discipline on governments by selling their bonds - forcing up their borrowing costs - if they thought those governments were being too imprudent.

4. A POLITICAL TICKING BOMB : Eleven gambles that went wrong for Liz Truss

In the autumn of 2022, Liz Truss gambled, and the country paid the price. She bet her premiership on a so-called mini-budget that ripped up decades of economic orthodoxy. However, it did not pay off. Why did she not succeed ?

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1. Truss declared that the real gamble was to carry on with "Treasury orthodoxy" – the economic policies of the past 30 years pursued by both Conservative and Labour governments. The former Chancellor Rishi Sunak called her ideas "fantasy economics" and his ally Michael Gove said they were a "holiday from reality".

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2. As soon as she moved into No 10, Truss sacked Tom Scholar, a senior civil servant who had worked at the Treasury since the 2000s. This intimidated other Treasury officials. One political ally of Truss's told me that anyone who challenged her was "executed in that room". For example, when her cabinet secretary realised that she was going to sack the Chancellor, he didn't stand up to Truss because he was afraid of being sacked too.

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3. Truss did not trust the Office for Budget Responsibility (OBR) - the body set up by the former Conservative Chancellor George Osborne to make sure politicians could not fiddle official economic forecasts. To bypass the OBR, she said her plans to spend billions on tax cuts were not a budget but a « fiscal event ».

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4. Truss's allies in the Cabinet warned her that she needed to publish her plans to cut spending, to demonstrate how she intended to pay for tax cuts. But she ignored these people and accused them of being part of the "Treasury orthodoxy".

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5. Truss had a trio of economic advisors who were known as « the Trussketeers ».[2] One - Gerard Lyons - warned her not to go faster or further than it was expected by the financial markets. He wrote a memo to the Chancellor in the week of his mini-budget announcement, to repeat his warning. However, it fell on deaf ears.

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6. Truss's Cabinet did not even know that she intended to cut the 45 percent top tax rate until the night before Kwarteng published the mini-budget. His decision to cut the 45 percent income tax rate sent a signal to voters that the new PM was going to ignore the concerns of ordinary citizens about inflation.

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7. Truss hoped that reversing her plan to cut the top 45p rate of tax would silence her critics. But it actually encouraged them to demand further changes – and it also embarrassed and alienated her allies, who had praised her as the lady who was not going to turn.

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8. To reassure the financial markets, Truss sacked her closest ally, Kwasi Kwarteng, and replaced him with Jeremy Hunt, who immediately tore up the mini-budget. Sir Graham Brady, a Tory MP, saw that it was the end for Truss : "To restore market confidence, she had to do all of the opposite of what she promised to do."

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9. Truss sacked anyone in the Cabinet who disagreed with her, and only promoted those who backed her. She did nothing to attract Rishi Sunak and his supporters, even if he had won the support of more MPs than her. Many MPs had initially rushed to support her when they saw she was going to become PM. But when she started to get discredited, they left her.

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[2] How about this joke ?

10. The people that Truss had sacked, ignored or belittled were happy to see her fall. Some of Truss's allies also think that the Bank of England and the IMF conspired in issuing critical economic statements which caused the markets to panic and destabilised her.

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11. Liz Truss, who was nicknamed "the human hand grenade" in Parliament, wanted to be the most radical politician. This was fine when she was not the decision-maker and could be overruled. But once she became PM, she became the only decision maker, and no-one could stop her any more.

Prove that Truss ……

a) didn't listen to anyone, even political allies and economic experts
b) didn't communicate with the Cabinet and took her decisions alone
c) ruled by terror and frightened all her Cabinet
d) wasn't ready to make any compromise
e) made many political enemies, including in the Tory Party
f) had a fragile, unstable power base in Parliament
g) wanted to break from Britain's economic policies
h) has unrealistic and simplistic economic policies
i) became the enemy of financial experts and financial organisations
j) made stupid political decisions which accelerated her downfall
k) may have been victim of a conspiracy