

TRUSS IN NO.10

TRUSS TAKES TO DOWNING STREET

After her victory in the leadership election on Monday, Liz Truss visited Balmoral to ask the Queen to form a new Government. After formally becoming Prime Minister, Truss made her way to No.10 to make her first speech as Prime Minister, to lay out her initial plan for Government.

In a fit of weather, indicative of the problems she will have in her in-tray, the heavens opened upon those waiting to hear her speak in Downing Street.

Truss's speech focused on three core pillars for the early days of her Government, underpinned by her libertarian desire to back freedom and enterprise. The pillars were: action to 'get Britain working again' by growing the economy, pursuing tax cuts and reform; action to deal with the energy crisis with a pledge for a major intervention to help businesses and households this week; and making sure people can get doctor's appointments by safeguarding the future of the NHS.

The focus on the NHS shows that there are worries in the Truss team at the potential electoral problems that could come about if the health service isn't functioning effectively.

Putting her closest ally, Therese Coffey, as Health Secretary and Deputy Prime Minister indicates the political importance of this issue.

Along with this, Truss put a focus on 'spades in the ground', with reference both to energy and housing. This could perhaps point towards planning reform and reforms to the way in which the UK can build on its energy supply. This is a politically dangerous area, with Boris Johnson's Government abandoning planning reform after the threat of a significant parliamentary rebellion.

Never a natural speechmaker, Truss's oratory was serious and filled with concrete priorities for her to deliver and therefore be judged by. It also highlighted the difference between her and Boris Johnson. She eschewed the 'boosterism' of Johnson and instead levelled with the public as to the tough times ahead. Gone is the flowery prose, and instead is replaced by clear and plain rhetoric.

Whether Truss can deliver on her promises of action and reform in a condensed timeframe ahead of a general election, and ultimately navigate the country through these tough times, remains to be seen.

NEW CABINET APPOINTMENTS



KWASI KWARTENG
Chancellor of the Exchequer
Former Business Secretary Kwarteng has experienced a relatively sharp rise through the ministerial ranks in recent years. He is a free marketer who instinctively favours deregulation. Famously one of the authors of the 2012 book: 'Britannia Unchained'.



BEN WALLACE
Defence Secretary
Wallace is one of the only Cabinet ministers to hold onto his position in the Cabinet reshuffle, a reflection of the praise he has received for his response to the Ukraine crisis. Popular with the Conservative grassroots but declined to run in the leadership election himself.



NADHIM ZAHAWI
Chancellor of the Duchy of Lancaster
Although Zahawi was most recently Chancellor following Rishi Sunak's resignation, he is better known for his time as Vaccines Minister during the pandemic which led to his promotion to Education Secretary.



ANNE-MARIE TREVELYAN
Transport Secretary
Trevelyan has considerable ministerial experience as the former Minister for Business, Energy and Clean Growth in BEIS, as well as Secretary of State for International Development. Most recently, she held the post of Secretary of State for International Trade. One of the few Vote Leave supporters to remain in Government.



WENDY MORTON
Chief Whip
A loyal supporter of Truss, Morton has held a number of junior minister roles including working under the new PM as a Minister in the Foreign Office. She has previously served as a transport minister under Boris Johnson and as an assistant whip under Theresa May.



KIT MALTHOUSE
Education Secretary
Formerly Minister for Policing for several years. Malthouse most recently served as Chancellor of the Duchy of Lancaster. He is perhaps best known for the 'Malthouse compromise', a Brexit plan he attempted to broker between Leave and Remain-supporting MPs in 2019.



CHRIS PHILP
Chief Secretary to the Treasury
Philp has had a number of Ministerial roles over the years. He is no stranger to the Treasury, having served as PPS to Sajid Javid while he was Chancellor.



TOM TUGENDHAT
Minister for Security
Tugendhat was the only candidate to make it through to the final five contenders in the leadership race to have not held ministerial office. He cultivated a reputation at Westminster for holding the government to account in his role as Chairman of the Foreign Affairs Select Committee.



JAMES CLEVERLY
Foreign Secretary
After nearly two years as a junior minister in the Foreign Office and only a few weeks as Education Secretary this summer, Cleverly has been rewarded for his early support of Truss. He was Conservative Party Chairman during the 2019 General Election.



THERESE COFFEY
Deputy Prime Minister & Health Secretary
Long-time ally of Liz Truss, and her closest political confidant. Truss's faith in her shows why she has been tasked with handling one of the most politically important areas in Government. She was Work and Pensions Secretary in the Johnson Government.



BRANDON LEWIS
Lord Chancellor & Justice Secretary
In his third cabinet role, Lewis is regarded as a political survivor. He previously served as Northern Ireland secretary under Boris Johnson, robustly defending the Government's support for the Northern Ireland Protocol. He also served as Chairman of the Conservative Party under Theresa May.



CHLOE SMITH
Work and Pensions Secretary
A strong supporter of Truss. She rose quickly in the beginning of David Cameron's premiership, being promoted in less than a year to Assistant Government Whip, and subsequently Economic Secretary at the Treasury. Since then, she has spent a number of years in junior ministerial roles.



PENNY MORDAUNT
Leader of the House of Commons
At one point during the leadership contest, Mordaunt was the bookies favourite to be Britain's next Prime Minister, before coming third and throwing her support behind Liz Truss. She has had a number of ministerial roles, including as Defence Secretary under Theresa May. She was a prominent backer of Brexit in the 2016 EU Referendum.



MICHELLE DONELAN
Culture Secretary
This is her second Cabinet position after her 35 hour stint as Education Secretary. That said, Donelan did attend Cabinet from late 2021 as a Minister of State for Higher and Further Education. She has also been a Government Whip.



CHRIS HEATON-HARRIS
Northern Ireland Secretary
The appointment of Heaton-Harris has been praised by members of the DUP and other Unionists in Northern Ireland. A former Euroselectic MEP, Heaton-Harris has held a number of junior ministerial roles, as well as Chief Whip.



ROBERT BUCKLAND
Secretary of State for Wales
He supported Boris Johnson in the 2019 leadership election and was rewarded with a promotion to Secretary of State for Justice. However, in 2021 he was sacked and only appointed back into Cabinet as Secretary of State for Wales in July 2022, following the mass exodus of ministers.



SUELLA BRAVERMAN
Home Secretary
Braverman previously served as the Attorney General and ran for the leadership of the Party, before pulling out in favour of Truss. Braverman was instrumental in getting the Right of the Conservative Party to unite behind Truss.



JACOB REES-MOGG
Business Secretary
Former Leader of the House of Commons and Brexit Opportunities Minister. Rees-Mogg is one of the most recognisable faces in UK politics and was a surprising choice for this role.



SIMON CLARKE
Levelling Up Secretary
Formerly the Chief Secretary to the Treasury, Clarke has been rewarded for his loyal support of Truss. Clarke was also formerly Minister for Regional Growth and Local Government and has strongly advocated for the towns and coastal communities which had not shared the economic growth of other parts of the UK.



RANIL JAYAWARDENA
Environment Secretary
Formerly a junior Trade Minister, Jayawardena was a strong supporter of Liz Truss in the early days of her campaign. Jayawardena's voting record suggests he favours a light touch approach concerning environment regulations which could impact business.



KEMI BADENOCH
Trade Secretary
An interesting choice for Trade Secretary given her known interest in domestic issues. Ran in the leadership contest, enhancing her reputation as one of the rising stars in the Party. Previously a Treasury Minister. One to watch.



ALISTER JACK
Secretary of State for Scotland
Having been a PPS and a Whip, in Boris Johnson's first reshuffle Jack was swiftly promoted to become Secretary of State for Scotland. He is one of the few ministers to have been reappointed, having remained publicly neutral during the leadership race.



MICHAEL ELLIS
Attorney General
With a background in criminal law, Ellis was previously appointed Attorney General as maternity cover for Suella Braverman for six months. Ellis has held a number of junior ministerial roles such as Deputy Leader of the House of Commons and an Assistant Whip under Theresa May.



JAKE BERRY
Chairman of the Conservative Party
The former Northern Powerhouse Minister who until his appointment led the Northern Research Group of Conservative MPs, Jake Berry's promotion signifies a commitment to the Red Wall MPs ahead of the next election. He has been vocal in demanding the Government deliver on Levelling Up.

SPOTLIGHT ON THE CHANCELLOR – KWASI KWARTENG

Every Prime Minister needs a strong ally next-door in No.11, both in terms of personal loyalty and ideological alignment. It is no coincidence that Prime Ministers, whose relationship with their Chancellor breaks down, find their days numbered. New Chancellor, Kwasi Kwarteng, meets both requirements for Liz Truss.

Both entered Parliament in 2010 and both contributed to the 'Britannia Unchained' book which proposed a series of free-market reforms to unleash the UK's economic potential and which infamously criticised British workers' supposed lack of work ethic. He backed Leave in 2016, but also backed Theresa May's Brexit deal and was not associated with the more hardline faction of Brexit supporters.

Boris Johnson made Kwarteng his Energy Minister before promoting him to Business Secretary in January 2021. Despite his free-market outlook Kwarteng oversaw a number of interventionist policies at BEIS, even joking that 'there's nothing [better] to convert someone from being a radical free marketeer, to seeing the virtues of government action than making them an energy minister'. He also backed Rishi Sunak's pandemic support packages but broke with him over taxation, aligning with Truss's belief that tax cuts should take precedence over reducing borrowing. He will attempt to shake up the Treasury and its 'stale economic orthodoxy' by curing its

preoccupation with balancing the books and refocusing it on driving economic growth.

Kwarteng has an impressive intellectual pedigree – he won a scholarship to Eton before going on to graduate with a double first from Cambridge in Classics and History and winning the 1995 edition of University Challenge to boot. He then attended Harvard on a Kennedy Scholarship, before returning to Cambridge to complete a PhD in economic history in 2000, a subject on which he has authored a couple of books.

THE ECONOMIC CHALLENGE

Truss is entering Downing Street pledging to tackle the cost of living crisis and boost economic growth. Whether Truss can make good on either of these aims is central to her electoral fortunes, and that of the Conservative Party as a whole.

This is a huge challenge, with some economists predicting inflation will reach 18% in January and the Bank of England forecasting the economy to enter into recession.

The Truss plan to combat these economic headwinds is centred on what some would call a 'Reaganite' economic policy, which pursues supply side reform, deregulation, and tax cuts.

Truss is more relaxed about borrowing to fund these tax cuts than previous Conservative Prime Ministers have been, with speculation that the Chancellor will change the current fiscal rules on debt.

The scale of borrowing and the size of the budget deficit is likely to be a key political dividing line within the Conservative Party going forward, with many prominent Sunak supporters concerned with the impact on the public finances and inflation. However, Truss has won this debate internally, and she is determined to govern with her own consensus-breaking economic policy, focused on growth.

However, the fundamental question for Truss is what additional economic support she will provide when the price cap rises on 1st October from £1,971 to £3,549, putting gas and electricity prices at a level that will plunge countless households into poverty – with polling suggesting 1 in 3 are already struggling to pay their bills – and overwhelm otherwise viable businesses.

Truss or Kwasi Kwarteng (the Chancellor) will most likely deliver a fiscal statement on Thursday which lays out a new package of funding for individuals and businesses, to help them through the current period.

With Labour calling for the Government to freeze energy prices at their current level until at least April, there is a political imperative for Truss to come out with a new announcement on direct support. It has been heavily briefed that Truss herself will announce an energy price freeze in some form for families for the next 18 months, and a package for business too – either setting a guaranteed unit price that businesses will pay, or a percentage or unit price reduction that all energy suppliers must offer firms. This would reportedly be funded via a longer-term levy on energy bills, so the burden would still fall on consumers in the long-term. This would be a difficult political position to take.

Were Truss's response to be deemed as insufficient to tackle this economic danger, she would leave the door wide open to the Labour Party and likely pay the price in the polls.

Truss also has a commitment to hold an 'emergency budget', a few weeks after taking office, which will be the first step in implementing the tax cuts she has called for during the leadership election. Whether this takes the form of a formal budget (with OBR forecasts) or simply another fiscal statement remains to be seen.

During the leadership contest, Truss committed to reversing the scheduled Corporation Tax hike as well as cancelling the rise in National Insurance Contributions that Rishi Sunak introduced in order to support the NHS post-pandemic and fund Boris Johnson's social care policy. She has also pledged to scrap green levies on energy bills, as a further measure to ease cost of living concerns.

For business there will be opportunities to engage with the new Government on areas of mutual interest. Truss will want to be seen to be improving the Conservative Party's relationship with business, after a more testing time under Boris Johnson. Truss will be most interested in how business can improve the UK's approach to growth, competitiveness and regulation, especially with reference to post-Brexit opportunities.

However, Truss's relationship with business may be one of contradictions. On the one hand, her free-market instincts will mean she wants Government to get out of the way of enterprise, but on the other hand she could still be susceptible to big interventionist approaches should public opinion demand it. It's likely this will be seen in her energy market interventions this week.

SPOTLIGHT ON THE BUSINESS SECRETARY – JACOB REES-MOGG

Replacing Kwarteng at the Department for Business, Energy and Industrial Strategy (BEIS) is Jacob Rees-Mogg who, ironically, has a higher public profile than the incoming Chancellor. Rees-Mogg has cultivated a persona as a robust free-marketeer and committed Brexiteer. While the latter is certainly true, by serving in Boris Johnson's government he demonstrated he could reconcile himself to more interventionist policies and is likely to have to do so again in the immediate future given the government's imminent intervention on energy prices.

Likewise, his time as Brexit Opportunities Minister was heavy on rhetoric but light in terms of tangible deregulatory initiatives, although he and his supporters might argue he was preparing the ground for meaningful reforms which will be introduced in coming months.

From a business perspective Rees-Mogg is somewhat of an unknown. Will he live up to his reputation and slash red tape with a view to unleashing economic growth? Last week saw media speculation about an overhaul of employment rights. Or will he find himself constrained by various factors including the lack of an explicit electoral mandate for such an approach? Certainly, it would not be universally popular among the party's MPs, most notably those in competitive Labour-facing seats.

A further area of tension will be on the government's approach

to Net Zero which is driven from BEIS. The Prime Minister says she is committed to reaching Net Zero by 2050 but wants it to be done in a way that supports the economy and does not punish families with higher bills. Rees-Mogg is sceptical about the economic changes needed to achieve Net Zero. It is notable that after reports of several people turning down a job under Rees-Mogg working on this agenda, Graham Stuart has been given a role as Climate Minister attending Cabinet. This area is definitely one to watch.

TRUSS ON CHINA

UK policy on China is likely to pivot under Truss, who is a renowned 'hawk'. As both Trade and Foreign Secretary she consistently supported actions which would loosen the UK's political and economic relationship with China.

This will likely include closing the door to any formal economic cooperation with China, putting Boris Johnson's plans for an Economic and Financial Dialogue and Joint Economic and Trade Commission, on ice for the foreseeable future. Truss is also likely to take a robust stance on the human rights abuses on Xinjiang, with the possibility of following the US in calling it a genocide.

Moreover, Truss is supportive of a more robust approach to Chinese investment in 'sensitive' economic sectors. The UK's investment security legislation has been used sparingly up to this point, but Truss is likely to utilise it more, halting investment from China-owned or China-linked companies in sectors to which the UK deems are of critical national importance.

TRUSS ON CLIMATE

Despite being a former Environment Secretary, Truss does not have a strong interest in environmental issues. She is committed to hitting Net Zero by 2050, however some of her most committed supporters, such as Jacob Rees-Mogg and David Frost are deeply sceptical of the commitment and the cost of it.

In order to appease this part of her support base, Truss will focus on reaching Net Zero in 'the most economically efficient way, which does not pile unnecessary costs onto consumers'. This means framing this issue with a focus on technology, economic growth and job creation, which instead of being politically contentious, are political priorities.

Truss has made critical comments regarding solar panels in fields, but otherwise has not made wide-ranging comments on her plans for the environment and climate.

As Trade Secretary she prioritised agreeing free trade deals over any climate concerns or binding climate commitments. She is likely to carry on this stance towards free trade and the environment into No.10.

TRUSS ON NORTHERN IRELAND AND UK-EU RELATIONS

In light of the challenging economic situation, businesses may be hoping Truss will backpedal on her controversial Northern Ireland Protocol Bill (which gives the UK the ability to unilaterally scrap aspects of the NIP) and thereby avoid a potential full-blown UK-EU trade conflict. However, such hopes are likely to be disappointed: the Bill was essential in getting the party's Brexiteer wing behind Truss and she will be mindful of the need to keep this support base onside.

She also hopes to convince the virulently anti-Protocol Democratic Unionist Party to return to power-sharing in Northern Ireland, and her hand is being forced to a certain extent by EU legal challenges and the prospect of tariffs being imposed on steel exports from Great Britain to Northern Ireland. The Bill passed the Commons with little scrutiny under the cover of the leadership contest. However, it faces a torrid time in the Lords. As the Bill was not in the manifesto, the Lords might even feel emboldened to reject it outright if the government does not offer any compromises.

One option could be for Truss to kick the bill into the long grass and instead trigger Article 16, the safeguard mechanism contained within the Withdrawal Agreement. This would initiate independent legal arbitration and at best create an opening for renewed UK-EU negotiations, or at worst it would buy time. Either way businesses should brace for further turbulence and uncertainty when it comes to UK-EU trade.

TRUSS ON UKRAINE

The UK's strong and prompt response to Russia's aggression towards Ukraine has been one of the few positives for Boris Johnson this year and Truss has been a staunch supporter of this approach. Standing up to Russia fits seamlessly into her wider geopolitical worldview according to which democratic and rule-of-law-abiding states need to band together to counter authoritarian powers who want to forge a new global order.

However, direct support for Ukraine – and building up the UK's military capabilities more broadly – is expensive at a time of huge pressure on the public purse. If Ukraine's much vaunted counter-offensive in the South does not succeed, the wider international community, reeling from the war's economic fallout, may discreetly encourage Ukraine to sue for peace.

In such a scenario it remains to be seen whether Truss would still support Ukraine unconditionally – and what such support would amount to.



NEXT GENERAL ELECTION

Truss takes the reins of Government as speculation over the timing of the next General Election runs rife. The scrapping of the Fixed Term Parliament Act gives the Prime Minister greater freedom to call an election at a time when she sees fit.

Truss can hold an election all the way up to January 2025, with the most likely time period being between May and June 2024.

There has been some speculation as to whether Truss would call an early election. While this cannot be ruled out, it would take an especially bold Prime Minister to call one, given the economic situation at present. With growth not likely to return to the economy until 2024, Truss is perhaps more likely to wait and introduce herself to the public fully, grip inflation, stave off the threat of a recession, and have her own record to point to. Truss was also explicit in her acceptance speech that the election would be held in 2024. Truss may not want to risk becoming one of our shortest serving Prime Ministers, especially given the challenge of winning the Conservative Party a historic fifth consecutive term.

Labour knows that it needs to be ready for an election at any point. It has already selected many candidates in key marginal seats as well undertaking significant policy work. It now faces the strategic challenge of how to define the new Prime Minister and her government: as just another chapter in what Labour are attempting to frame as 12 failed years of Conservative government; or acknowledge that Truss is a different entity entirely.

Labour have been ahead of the government on the cost of living crisis with their proposals for a windfall tax and energy price freeze (of which Truss is likely to announce a variation of herself). The Prime Minister's radical new agenda will test their ability to be politically creative alongside developing a coherent policy base. Labour feel optimistic, but there is a long way to go and ultimately Prime Ministers have all the levers at their disposal to shape the political weather, while oppositions have only words. Can Labour turn the words 'time for change' into votes at the ballot box?

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