



"Without fear and without favour"

Tuesday February 15 2011

## Any volunteers for the Big Society?

David Cameron has yet to ignite Britons' civic spirit

David Cameron is taking a big risk by putting his "absolute passion" for the "Big Society" at the centre of his agenda. The UK prime minister's vision of a platoon of doers and grafters is appealing but he has failed to outline the substance of his philosophical fancy. He may Society tsar, Lord Wei, cut his hours because he needed to do more paid work. Locally, some services such as libraries could potentially be run by volunteers but many could not. Volunteering will not work for child protection or care services, for example.

## Letters

### Bank must hold its nerve and keep rates low

From Mr Gerard Lyons.

Sir, Two wrongs do not make a right. Although UK consumer price inflation has risen, that does not mean the Bank of England should raise rates. The Bank must hold its nerve ("The Bank wiggles", editorial February 11).

The UK is witnessing a relative price shock. There are rises in food markets, and higher prices for utilities and transport. Increasing interest rates cannot halt these, just as King Canute could not stop the tide. Instead, higher rates would squeeze the remaining few pounds people have to spend, pushing up mortgages and other bills and hitting discretionary spending hard. While companies may try and pass on higher costs, it is hard to see these sticking if wage growth is sluggish and demand fragile.

Moreover, if the Bank of England decided to raise rates, I doubt if people would view it as a one-off, they would fear more to come. That is certainly how the market would see it. Already the rise in market yields, triggered by talk of rate increases, is tightening policy for some companies.

Instead, with fiscal policy being tightened aggressively, it is vital interest rates stay low. If not, the economy falls into recession. This is reinforced by the scale of debt and future deleveraging overhanging the UK private sector. Cash-rich big companies already lack the confidence to invest. Meanwhile, higher rates may make it harder for small companies to take on the working capital needed to achieve economic recovery.

And don't be fooled by the private sector jobs data. One lesson from

Japan is that when its bubble burst in 1990, employment continued to rise until 1997. Why? As here now, companies expected the economy to rebound and retained skilled staff as they were hard to rehire. It proved a false dawn.

The present rise in consumer prices does not undermine the Bank's credibility. Instead it should raise questions about the inflation mandate, which needs to change.

This is an issue for the future, as for any change to have credibility it needs to happen when things are going well, not badly.

For now, higher rates are neither appropriate to handle current price shocks, nor sensible in an economy facing significant headwinds.

Gerard Lyons,  
Chief Economist,  
Standard Chartered Bank,  
London EC2, UK

### Genetics revolution upsets big pharma's business model

### Criminal, not entrepreneurial

From Mr Ian Lee.

Sir, In his article "Out cutlasses and board: a plan for our age" (Comment, February 11) Matthew Lynn credits the Somali pirates with certain entrepreneurial qualities, and compares their activity with those of legitimate enterprise. There are basic flaws inherent in such a view.

Mr Lynn cites the pirates' ability to obtain market information, flexibility, possession of suitable equipment and willingness to provide proper staff incentives as key factors in their apparent commercial success. But as any business person can attest, these are basic elements in any commercial endeavour whether it is running a pirate ship or a corner shop. On their own, they hardly guarantee success.

The Somali pirates are profitable not because they know how to run a business but because they operate a violent criminal enterprise in an