

# Why the UK and the EU are falling so far behind the US

Consider the 2022 figures for GDP per head

USA.           \$75 000

UK.             \$45 000

EU.             \$37 000

The UK has spent the last 50 years trying to align itself more and more in trade, economic regulation and general laws with the EU on the grounds that this political direction and sacrifice would help our economic progress. The way the US has pulled ahead and stayed ahead of Europe shows this was a generally mistaken view. The US per capita figure is twice the EU.

I am not suggesting we should instead have sought a close political link with the US or should have accepted their law codes . Better would have been to make our own laws, set competitive taxes and traded as freely as possible with the wider world. The Republic of Ireland showed how simply setting lower tax rates can make you prosperous and greatly boost tax revenues. Their 12.5% tax rate meant they attracted massive turnover and investment from the US giant corporations, delivering \$ 105 000 per head of GDP last year, almost three times the EU average.

The truth is the US has set a legal, tax and educational framework that has produced all the great non Chinese world companies of the digital age. Apple, Microsoft, Google, Amazon, Netflix, Meta and Nvidia are the US giants that have generated so much cash, made so much investment and created so many jobs, boosting US success.

The EU and UK should be alarmed that they have produced no trillion dollar tec successes. I will write future pieces on why. Today I just wish to remind the UK it is free to set a competitive tax rate. As Ireland shows that allows your economy to get a boost from US success.

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## My article for “American Conservative” on wider ownership

Conservatives believe in freedom and enterprise, choice and opportunity. We believe in helping people to live fulfilling lives, recognizing and releasing the talents and energy within. We reject the gloom of the left who think

people and the world have to be controlled by governments to avoid disaster. We do not want to live in a pocket-money society where most things belong to and much income is taken by the state, leaving people with what remains after the large demands of governments have been satisfied. We know from experience that well-intentioned government policies so often backfire. Rent controls to help tenants lead directly to a shortage of property. Subsidies to help investment lead to high

Conservatism is an engaging mix of freedoms. It combines the pursuit of prosperity with respect for the past. It is laced with personal responsibility and belief in family and nation. No successful Conservative government has held Britain up on the road to change and progress. They have embraced new technology and movements for change, while helping the institutions to evolve to embrace those innovations.

Conservatives saw the potential of free trade, came to see the importance of votes for everyone, accepted and developed the welfare state as social attitudes created movements for change. Conservatives saw the power of the railway, the steam age, the petrol engine, aviation, computing, and the worldwide web and did much to promote them.

Conservatives champion the freedom to think and speak as we will, to form our own associations, and enjoy the goods and services of a relatively free and competitive market. These are set in a framework of strong law and order, bound by the social ties of family and country.

When I went to Downing Street to advise Margaret Thatcher in 1983, we were conscious of how much damage socialism had done to individuals and the country. Income tax rates up to 83 percent for work income and 98 percent for savings sapped enterprise and led to a brain drain as talent left the country. A huge, bloated state provided poor services at large cost, burdening the treasury and future taxpayers with enormous debts. Large nationalized monopolies charged customers too much for too little choice, threatened employees with redundancy and burdened taxpayers with large losses. The state owned too much, and people owned too little. The more the state subsidized, taxed, and regulated, the worse our economic performance became. The state overreached and people were belittled and bossed. The poverty of this approach during the 1970s was captured by the Labour government's need to borrow from abroad and implement emergency spending cuts as the economy buckled under the weight of an overreaching public sector.

The core of the problem was economic. The failure to grow, innovate, and retain home-reared talent and ideas left a large state unable to afford a strong defense. The Labour government of the 1970s argued over where power should lie between the parts of the Union, losing referenda on devolution of government to both Scotland and Wales. It lost control of inflation, presided over a recession, and humiliated the nation by seeking a bailout from the IMF, an organization primed to help poorer countries.

The Conservative answer had to be change. We needed to release the talent of the nation, offer more freedoms, rebuild the U.K.'s reputation at home and

abroad. I took to Margaret Thatcher the overarching idea of encouraging everyone to become an owner. She was well advanced with promoting home ownership through tax breaks and public housing sales. I helped her add the offer of shares in nationalized businesses to the many, employee ownership, employee buyout of state assets, personal ownership of pension savings, more self-employment, and more opportunity to create and build small businesses. Wider ownership opened up many more opportunities for many more people. The aim was to enfranchise the many in the economic life of the nation by becoming owners.

Central to the whole vision was the sale of around 10 percent of the wealth of the country from nationalized to private ownership. Breaking open state monopolies would lead to improved service, more choice, and more investment. The proceeds of the sales would finance the stronger defense and better funded welfare we needed.

We adopted a range of approaches to privatizations. National Freight was sold as an employee and management buyout. Lorry drivers and managers got together to own the firm. Attitudes changed with the change of ownership. There developed a can-do approach, a wish to fix the trucks, maximize their workloads and serve customers better. The business became very successful. Shares in British Petroleum were sold on the Stock Exchange as it was already a private sector group with a large private shareholders list. Large utilities including British Telecom, British Gas, and the nation's electric-power grid were recreated as private sector companies, with competition and regulation to get them to serve people better at competitive prices. Their shares were offered for sale to the public, the institutions, and the employees. Employees could buy on favored terms. Mass ownership of shares was advanced substantially by these offers.

The businesses were most transformed by competition. Telecoms leapt ahead. The monopoly nationalized supplier had previously rationed the availability of lines. It allowed a narrow range of rented equipment, mainly phones, to be connected. It ordered an old fashioned electro-mechanical switching system that other telephone companies in the world did not want buy, while the U.S. was pressing on with electronic equipment. The U.K. was about ten years behind the U.S. but caught up very quickly on privatization.

The electricity industry had been investing in large coal generating plants that only converted about 32 percent of the coal energy into electrical power. Following privatization, the industry switched to combined cycle gas power stations with around 55 percent thermal efficiency. The dash for gas was cleaner and cheaper, lowering power costs and air pollution at the same time.

Privatization of telecoms made the U.K.'s "Big Bang" revolution possible. The flood of new capital and large trading firms into London needed access to much more and better telecom capacity, which the newly privatized industry was able to provide freed of Treasury capital investment controls.

Increasing self-employment and small business was also an important part of the revolution. Taxes were reduced to more competitive levels. Individuals

were offered tax incentives to venture their capital and to build their businesses. Some regulatory burdens were streamlined. The VAT sales tax threshold was put up to the maximum the European Union allowed, so the self-employed could avoid early ensnarement in the costs and complexities of VAT. There were attempts to break up large public sector contracts to allow more small business access to such opportunities.

Reform of pensions and savings followed so people could identify with the wealth they were building for retirement. Self-invested individual pension accounts became available instead of having to save through a large employer scheme.

Policies were put in place to promote growth and better paid jobs in a range of run down areas from the East London Docklands to inner city areas across the country. Run down and closed down commercial and industrial uses were replaced by new buildings. The state intervened to kick start the process. Urban Development Corporations with powers and money to assemble and clean sites attracted large sums of private capital to build new commercial and residential districts. Canary Wharf, a whole new exciting business district, emerged from the empty docks and wastelands of east London.

Today Conservatism can benefit from the lessons learned during the Thatcher revolution. Conservatism works best when it trusts people more and offers choice. Monopoly industries run by the state offer poor value and often end with rationing, insufficient investment, and customer dissatisfaction. Free-to-user public services are popular, but they too need choice and competing suppliers to help them deliver the capacity and the quality people expect.

Conservatives believe in a strong state to do those things that only the state can do. People look to government for wise laws and fair and firm enforcement. They want a strong and effective defense for the country. The best way to live in peace is to be well-prepared for hostile actions by others, who will be deterred by effective defense and government resolve.

There should be clear and good laws, but not an excess of law. Conservatives should not believe in laws to bind government, or treaties that transfer government decisions on domestic matters to international fora and courts. The government has no need to legislate to hit certain targets. It should state a target and show by words and deeds how it plans to get there. It will be judged by results. It should not use legislation to give emphasis to what should be just a press release or statement of policy. Government policy statements are taken seriously if the government is firm of purpose and has a reasonable record of delivery. Making targets or policies a legal obligation can involve the courts in what should be the business of government alone.

Government should avoid unnecessary regulation and interference in the lives of people and the work of companies. It is no business of the government how I heat my home or get about. Of course, the safety of others and the avoidance of harms are important matters requiring national laws and standards, but this should not lead on to telling people what they can buy or instructing business on what they should make and offer for sale. It is free

enterprise, competition, and choice that have powered most of the great improvements made in products and services over the last century. There is no need for government to legislate in detail on how to make a car or a heating system, or to ban ones it does not like. All should be subject to the same safety and environmental laws.

There are dangers in imposing too many taxes and too many complex rules for each tax levied. They get in the way of enterprise and freedom. High corporate taxes drive investment to other countries. The Republic of Ireland, with a corporation tax rate of just 12.5 percent, collects four times as much business tax per head as the U.K. manages with a tax rate double the Irish level. High capital gains taxes deter people from selling properties and financial assets they no longer need or like, standing in the way of better allocation of capital and real estate. High income taxes deter extra work and effort, encourage able people to leave the country, and impede the growth of family wealth and financial resilience. High taxes make welfare dependents of the many and tax exiles of the rich.

Conservatives believe in freedom and enterprise, choice and opportunity. We believe in helping people to live fulfilling lives, recognizing and releasing the talents and energy within. We reject the gloom of the left who think people and the world have to be controlled by governments to avoid disaster. We do not want to live in a pocket-money society where most things belong to and much income is taken by the state, leaving people with what remains after the large demands of governments have been satisfied. We know from experience that well-intentioned government policies so often backfire. Rent controls to help tenants lead directly to a shortage of property. Subsidies to help investment lead to high taxes on business to deter it. State bans on products and services lead to an exodus of talent and activity to more permissive jurisdictions. Government going into business areas for itself usually leads to losses and more public debt.

Conservatives back and trust people. Socialists back government to control people. Conservatives like roundabouts where traffic flows because individual drivers make good decisions. Socialists like traffic lights so government controls you and often makes you wait.

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**[The asylum backlog – and the NHS](#)**

## waiting list

The Prime Minister has made clear Ministerial wishes. The asylum backlog of cases must be brought down. The NHS waiting lists must be reduced. Secretaries of State working within the relevant departments have reinforced these message and gone through plans with senior officials.

Large extra sums of money have been allocated to the NHS budgets, and specific additions added to cut waiting lists. There has been a surge in spending on asylum seekers, their lawyers, claim processing and their care. Ministers have not cut budgets or refused extra money when needed.

Staff numbers in the NHS have risen substantially in the last three years. There has been a major recruitment of more people to process asylum claims more recently. So why are the trends still going in the wrong directions? How much of this is down to Ministers, and what should we expect of well paid senior managers in the NHS and the Home Office now they have a clear Ministerial direction, extra money and extra staff?

Of course asylum claims need to be carefully assessed, to be fair and to avoid more legal challenges. They also need to be conducted with commonsense. Why were so many Albanian claims allowed to build up, and why were so many granted rights to stay when it is a safe country? Other European countries were firmer and quicker in saying No. Why can't the staff prioritise the many easier cases from safe countries and get on with making the decisions? It is not fair on the individual to keep them in a hotel for a couple of years and then to tell them No. They should be told much earlier. It is also important not to delay unduly difficult cases where the answer is going to be Yes, as they have suffered already and would like to be put out of the uncertainty of waiting to hear how their case has been treated.

Either the management needs help from Ministers with better incentives to clear these backlogs, or it needs changing.

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## Additional Government Funding for Extra SEN School Places

I have received a letter from Helen Watson, Interim Director of Children's Services at Wokingham Borough Council regarding extra Government funding for additional SEN school places in Wokingham.

I welcome the extra money the Government is providing to Wokingham to make additional provision for special educational needs. The Borough does need extra school places to meet demand and this expansion should take care of the

requirements of families.

Dear Mr Redwood

Wokingham Borough Council was successful in securing funding from the Department for Education (DfE) to build two new and much needed special schools in the borough. As you are aware, the schools are proposed to be located at Rooks' Nest Farm in Finchampstead and it is hoped will open by September 2026.

The original plans for the schools called for each school to have 100 places, but after consideration of a business case the DfE have agreed to both school's capacity being increased to 120 places. Obviously, this is fantastic news for the Borough and is worth around £5m to £8m additional capital funding and the opportunity to support 40 more of our most vulnerable young people in their own community. There were two key reasons for this request:

#### 1. Demand for Special School Places

The original capacity of the two planned special schools was based on pre covid data but post lockdown the demand for special school places in Wokingham continues to increase rapidly. In the last five years, the number of children with Special Educational Needs & Disability (SEND) has increased by 20% to 25%.

This is leading to several problems, including:

- Children with SEND are being placed in schools outside of the borough, which can be disruptive to their education and social life.
- Children with SEND are being placed in mainstream schools, where they may not receive the support, they need.

The benefits of increasing the size of the schools include:

- Improved educational outcomes for children with SEND.
- Reduced cost of transport for children with SEND.
- Reduced pressure on mainstream schools.
- Increased choice and flexibility for parents.
- Increased capacity to meet the growing demand for special school places.
- Reduced disruption to children's education and social life.
- Increased access to specialist support for children with SEND.
- Reduced financial hardship for parents of children with SEND.

#### 2. Improved operation and financial viability of the schools.

Working with our existing special schools and Trusts in the area, it is clear long term financial viability of the school's increases with size. The two key considerations being class sizes and the

proportions of fixed and variable costs to operate the schools.

In terms of class size for the cohorts we are looking to support, namely Severe Learning Difficulties (SLD) and higher level Social Emotional Mental Health Needs (SEMH), classes of 8 or 9 represent the sweet spot in balancing staffing resources with a manageable group, 120 places allow for this across all age groups in both schools.

I'm sure you will agree this is fantastic news for the Borough.

Yours sincerely

Helen Watson  
Interim Director of Children's Services

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## [A summer urging change](#)

I have spent weeks this summer researching and writing how the government and Bank of England could give us a better future. I have set some of these views on this website, in tv and radio interviews and through comment in papers. I have sent the main ideas to Ministers and advisers.

In the next few weeks I will be publishing an updated and improved version of my Central Banks lecture. This will reinforce the need for changes to their model, forecasting and current policy stance.

I will be launching another booklet on wider ownership, setting out how we could help many more people to become owners of property, shares and businesses. It will set out ways to boost public sector productivity by involving officials in ownership and participation of delivery for public services.

I am just finishing a third on a supply side revolution so the UK makes and grows more. This will need targeted tax cuts and a pro business approach in government departments.

These three pieces will provide a policy framework for a decent ownership and supply side revolution, against a background of a more stable and supportive money policy. They will also provide many individual proposals government could adopt even if it is unable or unwilling to embrace the new vision,