

Letter to Business Secretary

Dear Kemi

The UK government rightly wants to grow the economy and cut inflation. As Business Minister there are crucial changes you could make to help both aims.

The proposed ban on new petrol and diesel cars will destroy our car making capacity prematurely without replacing it by as much electric car output. Only the UK is proposing such an early write off and closure of so many factories with loss of jobs. Businesses are going to put their remaining petrol and diesel capacity elsewhere. From 2030 UK buyers will import nearly new petrol and diesel cars instead of buying UK ones. Lift the ban to rescue the car industry.

The UK is losing capacity in energy intensive industries like steel, ceramics, glass, fertilisers and much else thanks to having the highest carbon taxes in the world. These drive up prices and progressively close factories. Suspend the emissions trading and carbon tax regime. You can then save the big subsidies you are forced to offer as partial offsets. This action will save a lot of UK jobs and boost other tax revenue.

As the leader of Ministerial efforts to cut out needless regulation, bring forward the repeal of EU laws laying down product specifications. Keep a strong safety law and allow all goods of merchandisable quality to be offered for sale. This will boost innovation and competition.

Co operate with the Energy department in expanding UK supplies of cheap reliable energy. You cannot have a successful industrial strategy with dear power, unreliable power and import dependence.

The EU with an overzealous net zero policy has hit our industry hard whilst boosting world CO₂ by relying too much on imports with extra CO₂ in manufacture and transport. Please back made in the UK, and change these damaging policies.

Yours sincerely

John Redwood

Save money and cut CO₂ by less green subsidy, bans and taxes

My critics here complain that I urge a big rethink of the UK government's

green policies without challenging their CO 2 beliefs. As I explain so often I am out to get urgent and necessary change so need to find common ground with Ministers.

I can now show some proof that this can work. By making the argument that we will help cut world CO 2 by getting out more of our own oil and gas instead of importing LNG government has been persuaded to change its policy. They now need to get on with production licences for Rosebank, Cambo and the others. These will bring more tax revenue, more well paid jobs and big balance of payments savings.

I and other MPs have persuaded the government to drop the damaging idea of a hydrogen tax, a further levy on already high energy bills. They should also drop the state spending. Hydrogen technology may well prove to be a good way of fuelling transport and storing renewable electricity. Let the market decide. Let venture capital and large company investment develop it.

Given the large proposed borrowings and the need for tax cuts to cut inflation and expand capacity the government should reconsider its planned huge spend of £20 bn on carbon capture and storage. This is a world challenge where once again we need more private sector investment to see how it can work. At least delay it for a couple of years whilst inflation is brought down and growth improved.

They could suspend the roll out of free smart meters. Most who want one have got one now. Going forward those who want one could agree to its costs being added to future bills, spread out over a suitable time.

[Too few producers, too few growers and makers](#)

We need a supply side revolution. The Bank is shifting us from too much money chasing too few goods, to too little money chasing too few goods. It does not solve the underlying shortages.

The whole government needs to engage in a policy to curb inflation. An urgent substantial reduction in legal migration is needed to curb demand. It would also help them with their net zero plans. We need less demand for homes, water, food, electricity, transport and the rest from inviting in so many extra people. Put up the minimum pay a lot that someone needs to earn before they qualify for a work visa. Concentrate on inviting in well skilled and entrepreneurial people.

The government needs to tell the Bank to stop selling bonds at huge losses which taxpayers have to pay. This policy is driving up mortgage rates more.

The government needs to speed the implementation of its new policy of

licensing more oil and gas output from the North Sea. I am glad I and others have persuaded them so now do it. It brings in lots of tax that otherwise is paid away to a foreign supplier and cuts CO 2 for them.

It needs to shift farm grants away from stopping food production to boosting food growing.

It needs to allow the water companies to get on with new reservoirs and the grid company to speed more capacity.

It should delay the big planned spend on carbon capture and storage. We need less spending and lower taxes, not more costly state disruption of our energy markets.

It should suspend the smart meter roll out to save £1bn a year.

It should impose a freeze on all new external staff appointments in the government employ other than front line workers like nurses, teachers and police.

We need growth and investment in capacity. We need tax cuts paid for by spending reductions and other revenue growth.

[My appearance on BBC Question Time Brexit Special – Clacton](#)

<https://www.bbc.co.uk/iplayer/episode/m001n3px/question-time-2023-22062023>

[Article for the Independent on the Bank of England](#)

The debate over mortgage rates and the high rate of inflation is made difficult by the general view that the Bank of England is independent. This discourages politicians and media from debating their actions and thoughts, and impedes government action.

Constitutionally this is incorrect. The Bank does have the independent power to fix Bank rate following consideration by its Monetary Policy Committee. It is set a target of getting inflation to around 2% a year, a target last revised by Gordon Brown who changed it. I am not proposing they should lose

that power. Otherwise it is deeply involved with the government.

The Bank is 100% owned by the state. The government of the day chooses the Governor. The Governor reports to the Treasury Committee of both Houses of Parliament, where he is subject to scrutiny over the work of the Bank. The government bails it out if it loses too much.

The main agent of monetary policy since 2008 has been the Bank both greatly increasing its balance sheet then contracting it. As it expands it buys bonds at ever higher prices, driving interest rates down. As it contracts it sells bonds at losses driving rates higher. The Bank's decision to make a large sale of bonds just before the Kwarteng budget along with the rate rise pushed bond prices down. This was compounded by the difficulties of LDI funds owned by pension funds having to sell to cover the calls as the market fell. The Bank's decision to reverse the sales policy and buy some bonds again rallied the markets, showing how much control the Bank has over it.

This policy is a dual control policy. The Chancellor signs off on the bond programmes. The Treasury provides a full guarantee to the Bank against losses on the bonds. The Bank says it acts as an Agent of the Treasury when doing this.

The Bank overdid the bond buying in 2021. I supported its £300 bn to see us through lockdowns but thought the subsequent additional £150bn was risky, likely to bring on inflation. Clearly the bond buying created an asset price inflation, boosting bond prices and in turn shares and properties as the people and firms who sold the bonds to the Bank reinvested their money. In due course money got into wider circulation, and the money the government gave to people and companies based on ultra cheap state borrowing also helped stoke inflation.

Supply was constrained by the after effects of lockdown, by changes in the labour market and by world disruptions brought on by the Ukraine war. Too much money was soon chasing too few goods, scarce energy and food. An inflation set in, leading understandably to people wanting pay rises to limit the damage to their spending power.

The Bank has now said it will review how it forecasts inflation and how it runs its models and makes its decisions on rates. That is a necessary task, as its models gave very wrong indications saying inflation would stay at 2% and then saying higher inflation would be transitory.

The Bank also needs to take an interest in money and credit. It needs to look at the way expanding its balance sheet is inflationary and contracting it too fast may produce a recession. It should ask itself why China has inflation of 0.2%, Switzerland 2.2% and Japan 2.7% when they all import substantial amounts of energy. Their Central Banks followed different policies when dealing with covid and Ukraine.