Lies and Parliament

Telling the truth assists democratic debate and good government. I myself always seek accuracy when making statements or writing blogs. In the Commons a lie is called misleading the House. It can be inadvertent, the MP made a mistake or did not know his or her statement was false. The MP is asked to correct it urgently and all is forgiven if he or she does. It can be deliberate, in which case the House may proceed with investigation and punishment.

There are a whole series of lies regularly told by governments and other MPs which are accepted because they are untruths shared by many people and political parties, or because they are essential to sustain policies and government actions that are coming under pressure.

In some cases most can see why someone has to lie. A Labour Prime Minister who had to deny he was about to devalue the pound shortly before he did so had to tell relentless markets he had no intention of devaluing to try to stave off the market forces. A Conservative Prime Minister who took us out of the European Exchange Rate Mechanism had to keep denying he would do any such thing right up to the point of collapse of the policy of staying in.

Most of the lies are statements that MPs lazily accept without proper consideration of the facts. Let us take the statement "The Bank of England is independent". The Bank of England is 100% owned by the state. Its huge portfolio of bonds is fully guaranteed by the Treasury. It needs Chancellor permission to buy and sell the bonds. The Governor is appointed on the say so of the government. Chancellors meet Governors for regular chats to ensure monetary and fiscal policy are in step. The Governor has to submit himself to questioning by the Treasury Committees of Parliament. Parliament and government can and do regularly change the Bank's remit and rules.

I have heard a good few Ministers from three different political parties mislead the House from time to time. Belonging to the EU meant Ministers regularly recommended and defended laws the UK had opposed or tried to modify when they had first been drafted by the EU. They never said this was a bad law we did not want, when that was true. Tomorrow I will look at why Ministers may say things that are wrong, relying on civil service advice.

Written Answers from the Treasury – Bank of England compensation

This answer reveals the huge extent of anticipated Bank of England losses on bonds they paid such high prices for. These losses are made worse by plans to sell bonds at big losses in the markets which they need not do.They should hold them to repayment on maturity.

Treasury has provided the following answer to your written parliamentary question (187009):

Question:
To ask the Chancellor of the Exchequer, how much his Department paid the Bank of England to compensate for losses on bonds last year; and what the budget for such payment is this year. (187009)

Tabled on: 02 June 2023

Answer:
Andrew Griffith:

HM Treasury has indemnified any losses or profits which emerge from the independent Monetary Policy Committee (MPC) of the Bank of England's Quantitative Easing (QE) policy. In the previous financial year (2022-2023), HM Treasury received £4,164mn in excess quarterly profits, while HM Treasury transferred £5,010mn to cover quarterly losses. The net transfers for 2022-2023 were £846mn to cover QE losses.

The future financial position of the APF is highly uncertain and will be determined by market conditions and the independent MPC's approach to sales. As outlined in this year's Mains estimate, HM Treasury has provisioned for £49,100mn of cash transfers to the Bank of England this financial year. This estimate has some conservatism built in to address the uncertainty of future cash flows, resulting in a prudent, but realistic, budget request for 2023-24.

The answer was submitted on 12 Jun 2023 at 15:34.

Mortgages

Mortgage holders coming up to renewal of their loans face substantial increases in the amount of interest they will have to pay when they select from amongst the new terms on offer. This would have been true whoever was running the government, as the main cause of the rising rates is the action of the Bank of England. As both major parties claim the Bank is independent, interest rates are what they are as far as government is concerned. Neither the Chancellor nor the Shadow Chancellor wish to depart from Bank actions and advice.

Government needs to do what it can to promote growth and reduce tax rates to ease the squeeze now being created by a tough money policy. It should not expand borrowing, but seek better control over spending as the counterpart to ease the tax demands on mortgage holders and others. All the huge extra spending on lockdowns and covid treatment is now behind us. The good news is some tax cuts pay for themselves. Every time past governments cut Corporation tax rates the revenues from business went up. When the Thatcher government cut the top rates of tax on incomes the rich paid more and paid a bigger share of the total. If the government reversed the tax changes hitting the self employed it could stimulate more people to work for themselves, expanding the capacity of the economy. If the government raised the threshold for small businesses before they need to register for VAT there would be a surge of extra work taken on leading to more revenues from other taxes. If the government removed VAT from domestic fuel it would help directly in getting the inflation rate down, with beneficial effects on future government spending.

Were a government or the Opposition to propose higher taxes and more borrowing that could make the position worse. It might make the Bank want to force up interest rates more. The Bank is currently encouraging those operators in the markets that want to cut the price of UK government bonds by its gloomy tone. It is driving up state borrowing rates more. It would probably do even more of the same if it felt government policy was spending and borrowing too much. Today with no such fear the Bank still wants rates higher to curb inflation.

It is never easy recovering from a bad mistake. In 2021 the Bank of England confidently forecast 2% inflation for two years time. Now we have arrived inflation is four times that, a major forecasting error. Those who thought the Bank was creating too much money and buying up bonds at very high prices in 2021 were told we were wrong. When some challenged the inflation forecasts as prices started to climb the Bank sought to reassure by saying the inflation would be temporary. Last year and this the Bank changed its mind and its estimates, and has gone in for a long period of rising rates and credit tightening.

Today the Bank forecasts tell us inflation will come back down to below 2%. If they believe that why the need for yet more rate rises? If they do not believe it why are they not working urgently on their forecasting models to come up one that could have forecast what has happened in the last three years, giving it more chance of forecasting what happens next? Mortgage holders would like a less volatile policy, where inflation stays better anchored so rates vary less. Switzerland, Japan and China kept general inflation down in recent years despite the big rises in energy costs last year, showing there were other policies Central Banks could adopt to keep price rises under better control.

[Written Answers from the Department for Business and Trade]

Department for Business and Trade provided the following answer to your written parliamentary question (187008):

Question:
To ask the Secretary of State for Business and Trade, how much the Government spent on subsidies to high energy using industries last year. (187008)

Tabled on: 02 June 2023

Answer:
Ms Nusrat Ghani:

Over £450 million was provided across the Energy Intensive Industry schemes in 2022. This was in addition to support provided by the Energy Bill Relief Scheme (EBRS) for businesses and other non-domestic customers. The EBRS ended on 31 March 2023 and provided around £7 billion of support to businesses, including high energy using industries.

The answer was submitted on 07 Jun 2023 at 16:29.

[Written Answers from the Department for Energy Security and Net Zero – carbon tax]

Thus fails to reveal the impact of high carbon taxes in UK

Department for Energy Security and Net Zero provided the following answer to your written parliamentary question (187013):

Question:
To ask the Secretary of State for Energy Security and Net Zero, what comparative estimate he has made of the costs of carbon tax and emissions trading on steel production in (a) the UK, (b) Germany and (c) China. (187013)

Tabled on: 02 June 2023

Answer:
Graham Stuart:

UK Emissions Trading Scheme (ETS) industrial participants, such as those in the steel sector, receive free allocations limiting their exposure to the carbon price and mitigating the risk of carbon leakage.

Steel production in Germany is subject to the EU Emissions Trading System (EU ETS) which operates under similar rules and with a similar market price to the UK ETS. Carbon costs are comparable, although will be impacted by the performance of individual steel installations relative to benchmarks. The EU ETS price has been operating at a premium to the UK ETS price for several months.

China’s National Emissions Trading Scheme currently only applies to the power sector and does not directly cover industrial installations such as steel.

The answer was submitted on 12 Jun 2023 at 14:45.