

Reflections on Queen Elizabeth II

Tonight I will attend a service of remembrance in Wokingham.

It will bring on again that sense of loss we feel . The only monarch we have ever known, a constant in our changing lives, is to be buried tomorrow. A funeral brings a finality, an ultimate reckoning that someone treasured will not return. Never again will we see her on our tv screens or at an event we attend. There will be no more wise words or amusing encounters with Paddington Bear.

In my mind will flood the poignant images and memories of the short service and opening vigil in Westminster Hall. As I stood there with other Privy Counsellors I was overwhelmed by the sadness, the solemnity, the silence awaiting the arrival of the Gun carriage. No-one spoke. I wanted to think about our late Queen and take in the austere beauty of the Hall awaiting its dead sovereign. The grey stones of the walls and floor needed the explosive colours of the flag draped over the coffin and the gold, yellow and reds of the uniforms of those to guard her to bring it to a stunning magnificence. That mighty room was dominated by its new centrepiece, where all eyes were fixed.

The sun rushed through the yellows of the North window, commemorating her Diamond Jubilee. The tolling bell and the orders of the military occasionally broke the silence. No-one entering that place could be in any doubt that we marked the passing of a great lady, who in death as in life was seen in regal magnificence. No-one stirred, spell bound by the scene and the silence.

A better Treasury orthodoxy

I have looked at how the Treasury needs to take inflation- and deflation – more seriously by considering changes in money and credit in my Telegraph article today which I will publish later. The Treasury also needs to reconsider how to get deficits down. On the revenue side there needs to be much more understanding of the depressing effects of higher and more taxes on activity, and of the growth boosting effects of lowering or removing taxes. In technical language the Treasury and OBR need to include behavioural effects of lower and higher taxes in their models, as many taxes are easily and legally avoidable. They need to create a dynamic picture of deficits, not a static one based on telling us how much a certain tax rate currently raises.

Whenever the UK has cut the higher rates of Income tax better off people have paid more tax and paid a bigger proportion of the whole, as more rich people come and invest here, do more work and set out more businesses here, and

undertake more transactions here. When a country as in Ireland cuts corporation tax to low levels it is inundated with companies wishing to set up their headquarters there and book business there. The way to tax the rich and business more is to set rates of tax they will stay to pay. When the U.K. set an 83% Income tax rate and a 98% rate on dividends we had a brain drain from the UK and the country was a lot poorer. We didn't even keep our pop groups who grew famous with UK fans.

On the spending side there needs to be reappraisal of what the public sector needs to do and what can be left to private sector activity or private capital to provide. Benefits and pensions to individuals account for a large budget. The incentives and support for more people to be in work at a time of many vacancies offers scope for reduced spending and better lives for those who take these opportunities up. The pension age should reflect longevity, balancing the number of years you have to contribute with the number of years you are likely to draw down.

Where we want and vote for important public services as with the NHS and education proper financial provision needs to be mirrored by management leadership that puts quality and value for money in central position. The Treasury argues they do that, but the numbers show there has been no overall public sector productivity gains since 1997, despite the application of large amount of investment in areas like digital processing and on line service. I find it bizarre that the DWP with a large workforce to assess and distribute benefits should have lower productivity today than in 1997, when it must have been a big beneficiary of many switching to digital forms and transfers. I have heard many accounts of the NHS buying badly, wasting stocks, and not controlling spending on external contractors.

I raised the issue of why the NHS paid to take over most private sector hospital capacity during covid but failed to send enough patients to use it, adding to waiting lists. There is the refusal to take back reusable equipment, the waste of stocks through ageing or the overpayment for items and service delivered. There is reported failure to charge some foreign users of the service even though it says it is the NHS, not the World Health Service.

The government says it wants a productivity revolution. It needs to start with its own services. Existing management need to negotiate more stretching targets or give way to those who can deliver.

Travel patterns

The Covid lock down and interruption to normal working lives has had a big impact on travel patterns. It has made people keener on personal transport and on road deliveries at the expense of buses, trains and tube.

The latest figures compared to the travel pattern just before covid struck in March 2020 is a complete recovery in vehicle traffic overall. Use of vans is up by 14% and of heavy goods vehicles by 5% reflecting greater on line ordering and road deliveries to individual addresses which trains cannot manage. Car use is 5% down, probably reflecting more home working and on line ordering.

Rail use is 14% down, tube use 33% down and buses outside London down 15%. Much of the decline in tube and other public transport use is probably brought about through less commuting to work and more office workers staying at home part of the week. The tube has suffered most, reflecting the reluctance of many office workers to resume five days a week commuting given the difficulties and cost of these public transport journeys.

The greens who want to discourage travel altogether will presumably be pleased that more people stay home to work as there is less overall travel. They will however be disappointed that the motor vehicle has once again proved more useful and popular and is increasing in use for deliveries. Green Councils will continue to make it more difficult for these important commercial vehicle journeys to run smoothly and to time. This paradoxically will add to congestion, emissions and fuel use as much needed supplies sit in long traffic jams brought on by traffic mismanagement policies.

Westminster Hall

Yesterday I paid my respects to the late Queen in Westminster Hall on behalf of Wokingham. It was a most moving service as we felt the grief at our national loss. The silences before and after the singing and prayers were punctuated by the tolling of the bell and tapped orders to the guards of honour. The sun shone through the great window highlighting the colours of the flags and uniforms against the grey stone.

Energy prices and regulation

The Prime Minister announced the headlines of a solution for the energy crisis. She proposes removing green levies and capping domestic energy costs per unit of energy, with a matching scheme for business. Presumably taxpayers pay compensation to the energy companies for selling us energy below their costs.

I favour doing more by way of tax cuts on energy, adding an end to VAT on

fuel and cancellation of the carbon tax to cut energy costs. The problem with price controls is they might put people off investing in more supply, deterred by lower and unpredictable returns from intervention. They also blunt the role of price in lowering demand when there is scarcity. It is necessary to help people on low income with bills, or better to help them get jobs with decent incomes.

The EU was looking at plans of its own to tackle their cost of living crisis. They have been seeking a mixture of windfall taxes, price controls and rationing. It appears they have fallen out over controlling gas prices, with some fearing that would lead to an earlier loss of Russian gas and rationing. They expect Putin to find other markets for his gas. The EU seems to think the answer to dear and scarce Russian gas is even more investment in wind turbines and hydrogen.

It is difficult to understand why they believe this. Without storage wind turbine power is erratic and lets you down all too often. Hydrogen made using renewable electricity is not yet a commercial proposition and will need a vast new distribution network. The truth is this decade many people are relying on the natural gas boiler for heating and the petrol or diesel car and van for transport. All the time that remains true Europe needs to secure supplies of gas and oil.

The U.K. can do something about this reality as it has reserves to exploit.