

My contribution in the Northern Ireland Protocol Committee (Day 2) debate

Rt Hon Sir John Redwood MP (Wokingham) (Con): I welcome the notion of measures that restore our control over VAT and subsidies in Northern Ireland. It is entirely within the spirit and the text of the protocol, which says that both parties will respect the internal market of the United Kingdom. How can we have a proper functioning internal market if we have to have rates of VAT in Northern Ireland that are different from the rest of our internal market? And how can we claim that our country's sovereignty is respected by this part of the agreement, as the EU originally said it would be, if we are not sovereign to change VAT in an important part of the United Kingdom? It is right that we legislate on this issue, because we took back control and we wish to restore the sovereignty of this Parliament. How can we say that we have a sovereign Parliament properly restored if our Chancellor of the Exchequer cannot change VAT in part of the UK? It is right and it is legal that we legislate within the terms of the protocol and the agreement, and it is essential that we do so. Those who favour a negotiated solution with the EU should recognise that a huge amount of time and talent has been put into negotiating with the EU in recent years on these matters, and it has been unwilling to be reasonable or to respect the spirit and even the letter of the protocol itself. It is time to legislate.

I say to those who favour a negotiated solution and still have this idea that the EU will, in due course, negotiate properly over one that it is far more likely to negotiate in a more sympathetic and realistic spirit if it knows that we have the firm backstop of clear legislation, which means we will do the right thing by Northern Ireland and the whole UK if the EU cannot be bothered to meet us and understand what it means for the communities in Northern Ireland.

The EU should also take on board the good advice from the Democratic Unionist party and other members of the Unionist community in Northern Ireland. The whole fabric of the Good Friday agreement rests upon the consent of both communities. The EU says it fully signs up to that and sees it as of prior importance to the protocol, so the EU has to understand that there is no cross-community consent for the current position. The sooner we legislate to sort that out, the better.

Some funny numbers from the Treasury and OBR

The OBR has had to explain why it was so far out in its forecasts of the deficit and borrowings last year. They have written:

“Our latest forecast for (Central government borrowing) 2021-2 is £48.3bn below the October forecast and £131.2bn below our March 2021 forecast (the Budget)” They accept they underestimate tax revenues by a massive £77bn and overstated state spending by £48.7bn. It should be easier to forecast what you spend when you are running the spending controls.

We can all make mistakes. Forecasting is difficult. What is more difficult to forgive is that this was not the first time they have underestimated the revenues and overstated the deficit. Worse still is they used their precise forecasts of revenue and deficit to tell the Chancellor he needed to raise more taxes to reduce the gap between spending and taxing. It turns out they need not have asked him to do that as the numbers were so much better than the numbers they tried to create with tax rises. So when I am asked how do we pay for the tax cuts, the first answer is we are so far ahead of plan there is no problem. The second answer is if you cut the right tax rates to a sensible amount you can end up with more growth and more revenue, not less.

The Treasury also needs to come clean about the debt interest. They have been using their current high figure of £83bn which includes index costs on the repayment of inflation linked debt which does not entail making any cash payments before redemption. They use this figure to scare politicians into accepting more austerity to control the debt interest. What they omit to point out is on their definition of debt interest they forecast a collapse in the cost of it to £46.7bn by 2024-5. That is a fall of £36.3bn or 44% in debt interest.

The Treasury has a tradition of overstating deficits when there is good growth and understating them in recession. There is also a danger their policy advice based on very wrong forecasts could drive us unnecessarily into recession.

Then there were two

I am delighted Liz Truss will be in the final with Rishi Sunak. I want a change of economic policy as readers of this site will know. Liz Truss will give us that change. Rishi has accepted Treasury and Bank advice which has given us a high inflation and if unaltered will give us a recession next year. We can do better.

Soaring spending and borrowing since 1991

I was sent this recently. I have not checked all the figures but thought it worth reproducing:

According to the ONS, in 1991, public sector employment was 5.985 million.

Now it is 5.76 million.

There has been plenty of outsourcing and contracting out over this period.

In 1991, public spending was 180 billion pounds. (central government)

This year it is projected to be 1062 billion pounds.

That is nearly six times as much.

This dwarfs inflation.

In 1991, GDP was 705 billion pounds.

It is now 2400 billion pounds or three times as much.

However the increase in GDP is dwarfed by the increase in government spending. Indeed, half of the increase is debt funded government expenditure.

In 1991, government debt was 154 billion pounds. Now it is 2200 billion pounds. 14 times more.

In 1991, spending on health was 27.5 billion pounds.

Now it is 210 billion pounds. This is EIGHT times more.

The population has increased by 10 million in that time or 20%. Mostly immigration. Half of it since 2010.

Average house prices have quadrupled.

There has been substantial inflation over those 30 years, just not in the basket of items in CPI or RPI.

Comment

The general trends outlined here are right. Real public spending has climbed substantially. This has often not resulted in productivity or quality gains. There has been substantial inflation and large flows of migrants. Government debt has soared.

The last decade since 2007 has seen a poor productivity performance, the closure of too many industrial activities and too great a growing dependence on imports.

Then there were four

Yesterday little new light was shed on the leadership battles by the hustings and other events. It was good that the last tv debate was cancelled. All candidates realised that the format of the C4 and ITV debates were designed to encourage blue on blue rows of a kind which the Opposition will savour and requote and there was no need to help them some more. It is best if the tough debates for the MP part of the contest take place behind closed doors where MPs can ask difficult questions and make unhelpful observations without broadcasting to the Opposition. When it comes to two candidates before the membership there is more of a role for broadcast media, though it would be sensible to favour GB News, Talk tv, LBC and other channels that allow Conservatives to put our case rather than feeding the ratings of channels that try to keep decent Conservative views off their airwaves by exaggeration, twisting, character misrepresentation and interruptions.

As expected Tom Tugendhat dropped out. Today we will go down to three and tomorrow complete the task of choosing the final two. It seems likely the issue to settle is which candidate will take on Rishi in the country? This is a battle over future economic policy, and over whether it is possible to live the Conservative brand of lower taxes, faster growth, more private sector led jobs and investment. Only Rishi is defending an unchanged economic policy based on adding large tax rises to the monetary and cost of living squeezes we already face.