

## The state of the leadership race

I find it odd to read that Rishi is attracting the vote of careerist MPs who think he is the establishment figure who will win and give them jobs. That cannot be right, as the polls all show he will lose if he is one of any two candidates in the final round with the members. We must conclude that there is a significant body of Conservative MPs who agree with him that we need higher taxes and especially higher business taxes and who think as he does that you can get faster growth from here whilst hiking taxes. That is not a winning strategy either for the country or for the candidate.

I do not know if they all appreciate that Rishi in government did not want us to move away from EU single market regulations for fear of retaliation over trade by the EU. They may not know he was against legislating on the Northern Ireland Protocol as he also feared the EU response. He did not want to legislate to make clear we can fix VAT rates in Northern Ireland as well as the rest of the UK. He did not want to cut VAT on energy, accepting continuing EU constraints on our freedom of tax action. He did not roll out the Freeports he argued so eloquently for on the backbenches for the first day of our exit, and did not want to give them decent tax breaks to make them really attractive. He had to be persuaded to help people with a package of financial support this year to deal with surging energy prices.

Most people think today will be about MPs deciding or getting closer to deciding which of the remaining four candidates should stand against Rishi, though Rishi himself still needs a few more MP votes to ensure a place in the final two. I urge Rishi supporters to think again. I expect Tom Tugendhat to come last this time and drop out. He has performed well and attracted support from people who want a fresh start led by someone who has never held Ministerial office. I think it is asking too much of someone to think they come in mid Parliament to the complexities of Ministerial life without the thorough preparation most people have by being in a senior government position before becoming PM. In the case of a Leader of the Opposition winning a General election who has not been a past Minister they come in after years of planning how to run a government advised by people in their party who have done it in the past. Tom has offered us a ten year Plan to be worked out later. We need a plan for the first ten days from September 6th as we need urgent action to tackle the cost of living crisis.

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## Why we need growth to cut the deficit

Let me have another go at explaining the importance of growth to all those who follow the Treasury/OBR static model. They say we need to raise a tax every time we spend some more money. They miss the dynamics of growth

bringing more tax revenues and the dangers of higher tax rates slowing growth and cutting them.

In Budget 2021 the Treasury said the deficit for 2021-2 would be £233.9bn. They used this and related forecasts to insist on tax rises for the following year to bring it down. The outturn as reported in Spring Statement 2022 was a deficit of £127.8bn for 2021-2. So they exaggerated the deficit by £106.9bn. They had made a similar error of overstating the deficit the previous year.

The main reason they got the deficit wrong was they underestimated growth in revenue. The HMRC reported that in 2021-2 total tax revenue rose by a massive 22.9%, far more than the OBR/Treasury model expected. Tax revenue is very sensitive to the growth rate, which outperformed their forecast. They had not put up tax rates that year.

The danger is the OBR/Treasury will lurch from greatly overstating the deficit to understating it as the economy is slowed by higher tax rates, the cost of living squeeze and the monetary tightening now underway. The paradox they need to grasp is higher tax rates could slow growth and so damage the natural growth in tax receipts which you get from a growing economy with a bit of inflation.

The government does need to rein in waste and less necessary spending, but it also needs to promote growth to get fast expanding revenues. 2021-22 shows us that fast growth can come with maintained tax rates and selective tax cuts, clearly assisted by the end of lockdowns. Slow growth or no growth comes from hiking taxes too high, making it more difficult to get the deficit down.

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## [My intervention in the debate on the amendments for the Northern Ireland Protocol Bill](#)

**Rt Hon Sir John Redwood MP (Wokingham) (Con):** Has the Minister ever heard the Opposition point out that the EU is breaking the protocol by diverting our trade and undermining the Good Friday agreement? Has he ever heard them asking to see the legal advice that the EU purports to use when it is so clearly violating the protocol?

**Michael Ellis, Paymaster General, Minister of State, Cabinet Office:** My right hon. Friend makes an excellent point, as usual. I have to say that I have never heard those requests.

Amendment 10, again tabled by the hon. Member for Foyle, relates to the Northern Ireland Human Rights Commission and the Equality Commission for Northern Ireland. They are, of course, important and well-respected

institutions. They were established on the basis of the Belfast/Good Friday agreement. They undertake important duties and any change to their remit should not happen arbitrarily. The Government engage regularly with the commissions and they have powers to provide advice to the Government on issues arising from article 2 of the protocol. The Government have engaged broadly on the issues created by the protocol with stakeholder groups across business and civic society in Northern Ireland, the rest of the United Kingdom and internationally. In fact, the engagement has been considerable. As the Committee will know, the Bill provides specific powers to establish a new regime in Northern Ireland which addresses the issues with the current operation of the protocol. We are consulting stakeholders on the detail of how the powers are to be used. We will give plenty of notice to those affected in due course. Therefore, amendment 10 would compel the Government to do what, in many cases, they already intend to do.

We are moving quickly with the Bill because the situation in Northern Ireland is pressing. The power in clause 15 that would, among other things, allow Ministers to reduce the amount of the protocol that is excluded is designed to ensure that we can get the final, detailed design of the regime right. Its use is subject to a necessity test against a defined set of permitted purposes. It is designed to provide stakeholders in Northern Ireland with certainty that the Government will deliver the solutions that we have outlined to the problems that the protocol is causing.

It is essential that the power can be used quickly if needed. Although, in normal cases, the Government will of course engage with stakeholder groups in Northern Ireland, there may be occasions when the urgency of a situation means that the Government need to act swiftly. This amendment risks tying the Government's hands behind their back, and that is why I ask the hon. Member for Foyle not to press it.

Amendment 40 is in the name of the right hon. Member for Tottenham, who I do not think is in his place. This is the first of a number of amendments from him in the same vein, to which the Government have a single view. The amendment would replace the test of "appropriateness" in the use of the Bill's delegated powers with one of "necessity". Members should not confuse this with the international law doctrine of necessity, as the right hon. Member is doing.

The question covers well-trodden ground. Members may remember the extended debates on this topic during the passage of the European Union (Withdrawal) Act 2018. The powers there are similar to those in this Bill, the European Union (Withdrawal Agreement) Act 2020 and the European Union (Future Relationship) Act 2020. I note that the House and their lordships in the other place ultimately accepted that the word "appropriateness" in this context was, in fact, appropriate.

The word "necessary", which this amendment seeks to import, is a very strict legal test for a court to interpret. Where there are two or more choices available to Ministers as to what provision is appropriate to address the issues that the protocol has created, arguably neither one is strictly necessary, because there is an alternative. Ministers need to be able to

exercise their discretion to choose the most appropriate course. That is why the word “appropriate” is the correct word.

There are clearly multiple choices in how to replace the elements of the protocol that no longer apply in our domestic law. The Government must propose that which would be the most appropriate choice. That is why we have chosen that word. I therefore ask the right hon. Member not to press his amendment.

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## Visit to Bohunt School

Yesterday I visited Bohunt to discuss the details for the new sixth form. I was pleased to hear from the Head that they are advancing plans to have a new building constructed and open by autumn 2023.

I visited a couple of classes to talk to the pupils. Many were out on visits or enjoying sports as the end of term draws near.

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## The debate last night

C4 made the debate about trust. It would have been more useful if it was a debate about how we get out of the cost of living crisis, how we tackle public service reform and how we earn our livings in a divided and dangerous world.

Tom Tugendhat had an advantage with the audience that he had not been a member of the government so he had not had to vote for everything it did or defend everything it said. C4 did not press Mr Sunak on why he tore up a Manifesto promise to put up National Insurance . They did not press him on why he thought printing £450 bn of new money would not be inflationary. They did not even ask how, if a £12 bn NI tax rise was essential for the NHS it would manage now he had given back some of that money with a partial NI cut.

None of them were asked how they would slim and improve the functioning of No 10.