

# The Chancellor's lecture

The Chancellor's latest Mais lecture told us he believes in a free enterprise economy and lower taxes. I have no problems with that. It began with a quote from Adam Smith and praise for a competitive free enterprise approach to delivering goods and services. The lecture then modifies this vision as it needed to do by reminding us that we encourage substantial government intervention in such an economy. He did not raise the issue of how far government intervention can go before you cease to have his ideal private enterprise model. Today by common wish we have the state as a near monopoly buyer of healthcare and education. The railways have effectively been renationalised. Government also presides over a major policy of transfers of cash to those on low or no incomes .

The lecture states an aim of growing faster. This is to be achieved by concentrating on people, capital and ideas or innovation. The lecture talks of the need to raise the productivity performance of the economy. It is unexceptional that we could achieve more progress with more and better education and technical training. He wants a higher rate of private sector investment, given the big boost to public capital investment that has been agreed. He wants to see more innovations and ideas, which will require a private sector boost to investment in research and development. The lecture lacks detail on how any of this might come to pass.

He asserts that a larger state will not deliver faster growth or higher prosperity. There is some truth in that. He then argues he must not cut tax rates before he has got the deficit down, as he does not believe there will be more revenues from lower rates. This flies in the face of abundant evidence. The Thatcher/Lawson Income tax cuts brought in a lot more revenue from higher earners. The Republic of Ireland low corporation tax brought in a surge of new investment and extra corporation tax. The smaller Osborne corporation tax cuts brought in extra revenue.

His policy of tax rises and frozen tax thresholds in April runs the risk of less revenue than if he set lower rates. It will bring slower growth, reducing the output and incomes to tax. The lecture disappointed in saying nothing about the energy crisis and little about the cost of living crisis which is related. If he wants to grow with faster productivity he needs to address the chronic shortage of affordable energy for industry in the UK and needs to restrain the impulse of other Ministers to favour imports over home production in a wide range of areas.

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## My intervention to encourage less dependency on Russian energy

**Rt Hon Sir John Redwood MP (Wokingham) (Con):** Will the Government now allow and encourage more domestic production of oil and gas, to help reduce the cruel dependency of Europe on Russian energy?

**Elizabeth Truss, Secretary of State for Foreign, Commonwealth and Development Office:** We certainly are committed to using the UK's oil and gas fields. Energy independence is vital. We also need to invest more in nuclear, which my right hon. Friend the Business Secretary is working on.

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## Offset the economic damage

Sanctions come with a cost to those imposing them as well as to those suffering them. The West's sanctions on Russia will slow world trade, help keep energy prices high and add to the loss of real incomes. There will be a bit more inflation and a bit less growth as a result.

Central Banks have to grapple with emerging stagflation. It means they should not be too hawkish on curbing inflation when falling real incomes will start to do their work for them.

In the U.K. after a policy which was too inflationary there rests the danger of flipping to too tough a policy with too sharp a slowdown. The Bank is determined to over correct for its error of continuing to create too much new money last year. The negative impact of the war and sanctions reinforces the case to abandon the tax rises and cut VAT before they hit in April.

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## Russian money

There are wild allegations circulating about dirty Russian money in London and in U.K. politics.

U.K. law is very clear. U.K. parties cannot accept donations from overseas residents and companies. All donations with their source have to be registered. If anyone has evidence of a party breaking this rule they should send it to the police.

U.K. law is also clear about Foreigners with wealth coming to live, work and invest in the U.K. They need to meet the Home Office rules on rights to live and work here. When transferring money into the country they need to satisfy banks receiving the cash or securities that they comply with anti money laundering rules. These rules are designed to stop people depositing any proceeds of crime. This ranges widely from drugs and arms dealing money through theft and bribery to tax avoidance. Again if anyone has evidence of a rich foreigner resident here breaking these laws they should inform the authorities.

We should not want to live in a society where it is a crime to be rich or where any rich foreigner living legally here is automatically branded a crook. There will be rich Russians in London who have obeyed our laws and who oppose Putin's thuggery. If they wish to give money to political parties they need to comply with our donation laws. Many rich settlers in the U.K. make welcome contributions by investing, creating jobs and supporting good causes. It will now be illegal to do business with Putin cronies now on the sanctions list.

(I pay for my own election leaflets and political support.)

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## [Letter to the Business Secretary](#)

Dear Kwasi

I see you wish to help the PM apply pressure to Russia as Putin prosecutes an illegal and murderous war against Ukraine.

There is a major way in which you can make a difference. The PM's wish to see stiffer sanctions has been impeded by Germany and Italy owing to their dependence on Russian gas. A single western country cannot bring much pressure to bear without all other countries undertaking the same measure so it is watertight. The UK needs to help ease the energy squeeze in Europe.

You should invite in the leading oil and gas investors and licence holders in the UK industry and work with them to increase the output of UK oil and gas. This should be a series of immediate short term measures to maximise output from existing fields in production, and work to move through exploration to production investment and licences for new fields and field expansions. Over the next couple of years the UK could achieve a substantial increase in output which can replace UK imports at the moment or could be exported to help displace Russian gas in the EU.

Burning our own North Sea gas rather than imported LNG more than halves the amount of CO<sub>2</sub> generated, gives us a big increase in domestic tax revenues from the existing higher corporation tax rate applied to oil and gas production and helps ease the squeeze on European energy markets. In due

course nuclear and renewables will provide more of our energy, but only once these plants are built and once many more people have switched from gas to electricity to power factories and heat homes. You need a plan for this decade which remains the decade of gas in the UK and Europe. That plan must cut reliance on Russian gas and oil.

Yours

John