

Recovery is underway

With Brexit behind us and Covid calmed by a comprehensive vaccination programme which most people welcomed, the U.K. economy is set to grow quickly from here. The U.K. is forecast by international bodies to grow faster this year than the EU. Sterling has risen against the dollar, the Euro and the yen following our exit from the EU.

The U.K. authorities have provided a much smaller monetary and fiscal stimulus than the USA relative to the size of the economy. Money growth has been running at half the US level. The Treasury in the U.K. is planning big cuts in the deficit in future years whilst the US President is planning two more \$2trillion packages of extra spending. The Congress may water that down, as some are becoming alarmed by the scale and duration of the planned debt build up and by the inflationary forces unleashed by the twin stimuli.

In the U.K. the Bank of England needs to avoid premature tightening before recovery is well set. The Treasury needs to speed up ending the special expenditures on companies to cushion the blows of anti pandemic policy, whilst getting us back to work promptly from June 21. Furlough needs to end. Many of the jobs will be there again. Where jobs are lost there will be plenty of new job opportunities as the whole economy opens up and employers seek people to get things done and the orders dispatched.

There are already too many shortages needing more recruitment and more investment. We are short of cement and semiconductors, of HGV drivers and of chefs, of electricity capacity and of home grown fruit and vegetables. I have been asking Ministers to work with business to tackle these shortages urgently, to cut inflationary pressures and create more better paid jobs.

There are plenty of opportunities for business creation and expansion as the U.K. embarks on its most rapid and substantial recovery ever recorded. Government needs to make sure the public sector responds by cutting tax rates, granting necessary permissions, negotiating good trade deals and spending its budgets wisely using U.K. suppliers wherever possible.

My contribution to the Statement on Education Recovery, 7 June

Sir John Redwood (Wokingham (Con)): Will my right hon. Friend join me in congratulating those schools that adapted rapidly to the virtual and hybrid world and taught extensive timetables sticking to exam syllabuses? What more can be done to spread best practice, while offering targeted support for those schools that faced special difficulties?

The Secretary of State for Education (Mr Gavin Williamson): My right hon. Friend absolutely hit the nail on the head; the children who benefited most were those in schools that kept a clear focus on supporting children with a strong and rich knowledge-based curriculum.

That has very much been based on the reforms that have been rolled out by this Government over the last 11 years. There are sometimes siren calls to reduce the standards and quality of our curriculum and what is taught, but that most disadvantages children from the most disadvantaged areas. I reassure my right hon.

Friend that every action we take will be about reinforcing the evidence as to what actually works and how we can benefit children, including through tutoring, driving up teacher quality and ensuring that teachers have the right materials, support and training to deliver the very best for their children.

[World taxation Is a bad idea](#)

The G7 Finance Ministers and Central Bankers claimed a breakthrough in moving to a world based system of company taxation. President Biden wanted to set a minimum tax rate of 21% worldwide, and find a way of preventing some global companies booking too much income to low tax countries. He settled for a 15% proposed minimum rate, and a complex outline over the allocation of profit. The Communique offers “market countries awarded taxing rights on at least 20% of profit exceeding a 10% margin for the largest and most profitable enterprises”.

These so called twin pillars of policy were important to get all the G7 on board. The USA seeks the abolition of the recently imposed digital turnover taxes in the UK, France and elsewhere as a trade off for the promise of some transfer of profit to tax in countries where the digital giants trade substantially. Either way the USA will be one of the major beneficiaries. Many of the large global digital giants are US corporations who have in the past kept substantial business offshore in lower taxed jurisdictions. President Trump offered favourable terms to get some of the cash repatriated. The final agreement was a much watered down version of the original US proposal.

It needed to be watered down as countries understandably value independence in seeking to tax companies. There is no world government with democratic accountability or authority that can set a world tax rate for business and distribute the revenues between countries to a formula. The EU has been trying to get there by small steps, but has found it is much easier to invent a new specialist environmental EU tax that applies to all than to reform a tax like corporation tax so that it becomes a uniform levy. The EU has decided to allow Ireland to be a tax haven with a 12.5% corporation tax rate,

even though many EU member states are unhappy about that status.

I think tax competition has a lot to recommend it so there is some countervailing force to the remorseless pressure to tax more based on the theory that higher rates produces more revenue. In the case of business taxes a lower rate often raises the amount of money collected, acting as an incentive to invest, raising the prospective returns and leaving more cash in the business to pay for it. Lower rates can produce more income for shareholders and governments.

This proposal looks difficult to enforce. The 15% minimum is not too damaging, and is still below the UK rate so it does not currently constrain us. There will need to be some good drafting to decide how turnover and profit allocation will work within a multinational profitable company. So far the general language allows various interpretations.

Assuming the G7 leaders endorse this recommendation, it then needs to be worked up further and sold to the G20. China and Russia may have other ideas. If they can be accommodated then it needs the support of the whole OECD. The proposal is vulnerable to some countries seeing an opportunity to set a low corporation tax rate or to accept the minimum rate but offer lots of offsets and concessions to try to remain or gain status as a good tax location for substantial booking of business.

Helping migrants in the UK is a form of overseas aid

The UK has welcomed a large number of migrants in recent years. When considering our overseas aid budget, people should also put into the balance the large numbers of people from dangerous and low income countries we help by supporting them on arrival and then granting them rights to stay and to work. I have always thought the costs of housing and setting up the facilities for migrants should be properly attributed to the overseas aid budget. The international definition of official development assistance allows a country to include some money spent in the donor country helping people from a recipient country.

The EU once estimated that a migrant into the EU received the equivalent of 250,000 Euros in capital as they received a home, access to health care, education, transport and all the other public services provided free at the point of use for them or subsidised. There is no reason to suppose the UK current offer is below this indicative figure. Many migrants are housed in London and other locations where housing is dear. Whilst establishing their right to remain and to work the migrant receives board as well as lodging from the state. Once in work they receive top up benefits if their employment is at least in the first instance lower paid.

Given the number of people coming to the UK as refugees or migrants to live and work, there is a direct cash cost on the state to provide many more social homes, and additional school places and healthcare capacity.

Overseas Aid

I am glad the UK spends money on ships and equipment that go to assist countries facing flood and tempest. I am in admiration of our medics and armed forces when they sometimes go to help treat and contain dangerous infectious diseases abroad. I am pleased the UK as one of the leading and richest countries of the world helps alleviate and tackle poverty in the developing nations.

The UK should set out what it can do and what it is good at, and should be generous where need arises and where we have the means to help. I want to see reform of our budgets and our activities in these areas so we achieve more with better value for taxpayers.

I went along with the Conservative leaderships' support for hitting the 0.7% target of GDP, though I have misgivings about such targets. I do not think we should commit to spend a certain proportion of a fluctuating and usually growing number. We should decide on spending on a case by case basis and against our general budget background. We do not pledge to spend a fixed proportion of GDP on health or education or policing, but look at those budgets in the light of needs and costs.

Labour will doubtless oppose such a change. They averaged under 0.4% of GDP on overseas aid in their period in government 1997-2010, despite pretending to support the international commitment to spend around twice as much as they usually managed. Others will join them in opposition. I would suggest it would be best to lobby the EU and its members, who consistently spend well below our spend levels and well below the international target, and will still do so next year. What matters more to me is what each country achieves and how ready it is to go the help of those in immediate need, where the UK rightly excels.

Last year the UK again spent 0.7% or £15bn on overseas aid. £10bn of this was spent on projects and activities we chose along with the recipient country in so called bilateral aid. The balance of £5bn was spent by our giving the money to the EU and other multinational bodies to spend as they saw fit in so called multilateral aid. As we leave the EU it is a good time to bring our overseas aid spending back in house and decide on how we can best help those in need. We should also look at the full support we give, which goes wider than the items allowed under international conventions to be called Overseas Aid. Some of our Defence expenditure is aid, being used to help bring peace to strife torn countries and providing assets to tackle disasters.

I want us to identify the areas where we have most expertise and can do most to help. Maybe the UK should specialise in a few large areas like the provision of clean water to each home, the provision of primary education to all girls as well as boys in poor countries and the roll out of programmes to tackle infectious diseases.

We should follow certain guidelines. The money should for preference be spent in the country we are trying to help, using as much local labour and skills as possible. Where we need advanced country inputs these should usually come from people and companies based in the UK. We should work on the principle that it is better to teach a hungry person to fish and farm for themselves rather than sending them food parcels. The aim is to get countries out of poverty, not into dependence. More trade is often of more help than more aid.

It will be great to see us achieve more by concentrating our efforts in areas where we have most to offer, harnessing public and private sectors together, and taking control with more programmes we run for the benefit of the poorer countries.