My Intervention on the King's Speech debate (1)

John Redwood (Wokingham) (Con):

Is my right hon. Friend aware that the Office for National Statistics published figures for the three years from 2020 to 2022, which state that public service productivity in general fell by an unprecedented 7.5%? That means that we needed to put roughly £30 billion extra into public services to achieve the same thing.

Mr David Davis:

My right hon. Friend is right: it is a systemic problem. It does not just affect Britain or the health service. Indeed, I think that numbers for those years for the health service were about 25%—so huge, huge numbers. I bring this back to the reality of the individual. If we delay diagnosis and treatment, we sentence people to death. It is as harsh as that.

I would like us dramatically to increase the amount of diagnostic capacity we have. If we look at OECD numbers on CT scans, I think we are third from worst. This is why I say it is not a single Government problem—we do not get to be third from worst in one term; it happened over the course of the whole 30 years. On MRI scans, we are the worst in the OECD. How on earth a country such as ours gets to that position is astonishing.

Print money, get inflation. Destroy money, get recession

Let's try one more time with the Bank of England.

When will they admit that they created too much money and bought too many bonds, causing inflation? Senior people in the Eurozone do now accept their Central bank, the ECB made that mistake.

When will the Bank accept that selling lots of bonds at huge losses destroys money and causes recessions if you do too much of it? They should learn from the ECB who are not selling bonds, just allowing the bond portfolio to run off as the bonds mature.

The Treasury is wrong to keep sending the Bank enormous cheques to pay for all their unacceptable losses. The Europeans and the US Treasury do not pay the losses of their Central Banks in this automatic way. If a Central Bank wants to make losses it needs to own them. If it needs money to rebuild its balance sheet it should make the case and have it debated before taxpayers pay up.

[My Interview with GB News about the urgent need for tax cuts]

Please find below my Interview with GB News where we discuss the need for tax cuts in the upcoming Autumn Statement:

You can find it between 49:03- 53:47

[The US, the UK and Euro area diverge in their approaches.]

All 3 Central Banks , the ECB, Bank of England and Fed, made the same mistake of creating too much money, buying too many bonds and keeping interest rates too low and ended up with a high inflation. China and Japan didn't do these things and kept inflation down.

All 3 Central Banks that got it wrong now are making their publics pay by hiking rates and trying to generate a recession or slowdown. Only now they are starting to diverge. The ECB is going easier on their economies, afraid of too deep a recession and worse financial and banking problems if they tighten more. They are not selling bonds at big losses and stopped hiking rates at a lower level. The Fed which is doing the same as the Bank of England had to reverse policy and plump $400 bn b ack into markets to avoid a regional banks collapse.

Now the US Treasury has opened up and is in effect fighting the Fed. Where the UK Treasury goes for a falling deficit, the US has just doubled its deficit when adjusted for the accounting of student loans from fiscal 2022 to fiscal 223 to September year end. The deficit soared to $2 trillion.

No wonder the US has 4.9% growth and we have practically none. A $400 bn course adjust by the Fed and a huge fiscal boost kept the economy going. Who is right?

Tax cuts now

This is an article the Mail asked for then decided not to run.

The budget needs to bring the deficit down. It should lower price rises and increase growth. The Treasury seems to think with the Bank that it needs to get inflation down first with austerity policies and falls in money and credit. They want to punish us for the big mistakes the Bank made printing so much money, and keeping interest rates too low for too long. The Treasury late in the day wants to put up taxes to pay for all the spending they unleashed as they tried to offset a lockdown and a big inflation. If they overdo the gloom and taxes they will push us into a recession. Recessions usually put the deficit up, as revenues contract and unemployment costs rise. It is time for some fresh thinking, not for more of the same old boom/bust official advice we have seen too many times in recent decades.

You cannot achieve the aims of cutting the deficit, controlling inflation and growing the economy without targeted tax cuts. Of course the Treasury are right in saying these should not be unfunded. They need not be. The Treasury should know all about unfunded spending rises, as they did enough of them over the last three years. If they had borrowed the money by selling long term bonds that would not have been such an inflationary problem, but instead they ended up effectively borrowing short term from the Bank of England. Now they are paying the price with big rises in the interest rate the Bank of England now chooses to charge them and we are all paying for the extreme monetary expansion they triggered to pay the bills.

We need targeted tax cuts to get prices down. Why not suspend the VAT on domestic fuel for the coming year? That would take domestic heating bills down by 5%. Now oil and gas prices have risen again on global markets, why not have a temporary cut in fuel duty to relieve some of the pressures on people and businesses when they need petrol and diesel to get to work and to deliver goods and services to our doors? When the government gave people subsidies for their fuel bills it did not help take the consumer price index down. Cutting the tax would. That has a beneficial knock on effect on spending , when it comes to updating benefits, pay and prices for CPI changes.

So how could we pay for this? As it happens the Office of Budget Responsibility has once again got its forecast wrong and understated revenues from existing taxes by £20 bn so far this year. That would more than cover it. If the Treasury insists on being more prudent why not sell the remaining shares in Nat West and use that money to pay for these temporary tax cuts to get inflation down? They could organise a great sale for the remaining holding with a popular offer, some free or discounted shares for employees and the retail public. Try cheering us up for a change.

The UK economy needs more domestic supply to help control price rises. Inflation is too much money chasing too few goods. The Bank now wants to squeeze the money, but we should also try producing more goods. Since February 2020 the UK has lost 800,000 self employed from the workforce. Some of this was covid created problems, but some of it is the tax changes introduced under IR 35. These make it more difficult for a self employed person to get contracts from businesses. The government should want to rebuild our self employed sector and should help do that by reversing the 2021 and 2017 tax changes. There are also things that can be done in the Employment Department to offer more support, mentoring and training to people currently out of work to work for themselves. Self employment offers great flexibility for the business person and the customers alike. We need more capacity in a whole range of services and specialist goods that the self employed excel at.

We should also want to boost our small businesses. They too offer a great way to expand capacity and supply quickly and in a low cost way. Raise the VAT threshold from £85,000 to £250,000 . This would enable a large number of businesses to do more, relieving a major barrier to their expansion. Small businesses turn down work and decline to take on an extra staff member because they do not want to have to register and put 20% on all their prices. The Treasury should also restore tax free shopping for foreign visitors to boost the tourist trade, and do more to lower business rates bills.

How could we cover these costs? The cost would be quite small even on Treasury arithmetic, and in practice could generate substantial additional revenues as more business was transacted and more earnings created. The public sector has presided over a 7.5% fall on its productivity in the three years 2020-22, which is roughly a £30 bn increase in costs for doing the same things. Now lockdowns are well behind us we need to get back to 2019 levels of productivity. This will entail a slimming through natural wastage of the civil service and other public sector administration, made easier to achieve by the wonders of modern computing. It should be possible by sensible personnel planning without redundancies to save £5 bn a year by the end of the first year of the programme.

The government should reorient its grants to stop famers growing food to offer future grants to promote more and better food production. The policy of using more of our own oil and gas instead of relying more and more on imports will also raise the amount of tax revenue the Treasury collects, and will add well paid tax paying jobs to the economy for the new fields. It also cuts world CO 2 output by substituting domestic gas down a pipe for LNG by ship with so much CO 2 generated to liquify, transport and gassify the product.

The Bank should not carry on selling bonds at large losses and sending the bills to the Treasury. It should allow its bond portfolio to run down as the Treasury repays the money borrowed through the bonds over the years ahead. This will lower the state deficit excluding the Bank by many billions.

The Conservative party needs to recapture its tax cutting beliefs and show once again that only with tax cuts can you control the deficit, grow the economy and conquer inflation.