

## Telegraph article on ageing populations

They are at it again. The UK economic establishment drips pessimism on so many fronts as it makes wild and wrong forecasts which deter investors, frighten entrepreneurs and damages confidence needlessly. This time we are told an ageing population means ever rising costs of pensions and healthcare which will require ever rising tax rates. It will, they suggest, eventually prove unaffordable.

As always you should query their understanding of the numbers and doubt their long range predictions. In a table of 127 countries the UK is well down the list of ageing populations in 43rd place, close to the USA at 50. The current average age of the UK is 40.6 compared to 48.6 in Japan, 47.8 in Germany and 46 in Hong Kong and Italy. The proportion of the population under 20 is a lowly 15.6% in Hong Kong and 16.1% in Japan compared to 23.2% in the UK. They seem to forget that last year alone the UK invited in 1.2 million new people, many of them young. Quite a lot of more elderly people leave the UK to retire in warmer countries. The UK's fertility rate, the number of babies per woman, is below replacement, but is considerably higher at 1.63 than Italy at 1.24, Hong Kong at 1.23 and South Korea at 1.11.

The UK is better than many advanced countries at raising the retirement age and pension entitlement date as longevity increases. It is important going forward that we continue to do this so that people pay in for pensions sufficiently to cover the costs of their retirement. The UK public sector has failed to reform its pensions as the private sector did, leaving taxpayers with large bills for index linked pensions that were unfunded or inadequately funded. This should be reformed for new entrants.

The key to granting realistic pensions and meeting the bills lies with achieving decent economic growth. With growth tax revenue expands more rapidly than the economy, as every additional pound of activity is taxed more highly. As individual and company incomes rise so higher rates of income tax are paid and more items attracting VAT are bought. The problem so far this decade is threefold. There has been too little overall growth thanks to high tax rates, lockdowns and wars. There has been a productivity slump in the public sector with more spending and less output. There has been a big inflation driving up public sector costs and above all the interest burden on the state debt. We cannot go on like this. It is not the fault of any ageing in the population but the result of a public sector whose costs are out of control and whose output has fallen. The UK put up corporation tax whilst our neighbour Ireland kept it low. Ireland collects four times as much company tax per head as the UK as a result. What a stupid self inflicted wound.

Indeed, the elderly are part of the solution, rather than being the main problem. There are many in their 60s and 70s with energy and abilities, and some with savings who can return to the workforce, or set up their own businesses and self employment at times of their choosing, or offer help to their children to free them for more working hours. Many already do this, but there are hundreds of thousands who might like to do more if the tax system was friendlier and the support more easily obtainable. The slump in self employment with a loss of 800,000 self employed since February 2020 includes

a lot of older people. If the government changed the IR 35 rules to make it easier to win contracts more might return to do some jobs for people and for reward. If the VAT threshold for registration was raised more small businesses might expand and offer part time employment to older people. If the rules on childcare and childcare taxation were amended more grandparents might help more to boost the working age workforce. None of these imply compulsion or conditionality. They offer people better choices and the chance to increase their incomes if they wish.

The economic establishment has created the problems of high public spending and high borrowings. The Bank forecast inflation of 2%, gave us inflation of 11% and still denies all their money printing had anything to do with it. Now they seem to want a recession as they lurch to too little money and credit. The OBR regularly overstates the deficit by £100 bn or more, usually underestimating tax revenues, yet presumes to tell Chancellors they must raise taxes to tackle the deficit of their imaginings. The very well paid senior management of HS 2 runs with large delays and more than 3 times budget but offer no explanation of why they were so wrong and no hope they might be able to put it right. The civil service recruits tens of thousands more staff but cannot explain why its productivity has fallen so far.

If we run the public sector better, control inflation and use tax cuts to expand work and capacity we can afford decent pensions and health care. So banish the establishment pessimism, improve its forecasts and pep up its management.

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## The Conservative offer

It is good that Conservatives defend people's right to choose the schools for their children, and support educational charities. It is progress that Conservatives back getting more of our own oil and gas out of the ground instead of importing more. It is welcome that the government will make it more difficult for Councils to pursue their anti driver agendas.

The Prime Minister's five aims of cutting NHS waiting lists, lowering inflation, getting some growth, bring the deficit down and stopping the small boats are fine. Some of these will need new policies and initiatives to deliver them. What we need this week is more detail on how these important changes will be brought about. If the courts seek to block sensible migration reform then Parliament must be asked to legislate to redirect them.

The government needs to be on the side of the doers, the strivers, the self employed, the small businesses, the savers, the home buyers, the skilled workers as well as helping the drivers. We need to unleash more enterprise to expand our domestic capacity, replace some of those imports, generate more better paid jobs at home and collect more tax revenue from more activity.

To do this we need an early budget. Tax rules and rates that are driving people out of self employment need to be reversed. The VAT threshold that

stops many a small business expanding for fear of the heavy compliance costs of VAT and the 20% extra imposition it entails should be raised. Energy is far too dear and is just getting dearer as OPEC stifles oil output and drives up the prices again. The taxes on it should be brought down as the oil price rises.

The government should lead an ownership revolution, making it easier and more worthwhile for people to venture their savings, to set up and grow businesses, to work for themselves, to buy their own home and to invest in their local community.

It should promote more domestic supply, to give us more choice, better value and to cut down on all that CO<sub>2</sub> long distance transport by ship and lorry imposes to bring in so many imports. Why not spend our agricultural grant money on promoting more food growing to cut the food miles, instead of using it to wild what were good farm fields? Why not bring down energy taxes so more energy using industries can stay here and grow here?

Conservatives need to be the low tax party, the enterprise party, the back Britain party.

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## [The Prime Minister's speech to conference](#)

The Prime Minister this week has a great opportunity and a great platform to set out his vision of the future and tell us how Conservatives can make things better and help people improve their lives.

Today I ask what should Rishi Sunak tell the nation this week, from such a good platform?

After 5 years of a Coalition government and 8 years of a Conservative one he must not trash the past and can be proud of some achievements. The transformation of school standards, the freedom from the large EU budget contributions and escaping from the running up of big new EU debts, the global reach of an independent UK strengthening our ties with Australia, New Zealand and the Trans Pacific Partnership are all to be welcomed. Nor must he spend much time on the past, but show he as a new Prime Minister is looking forward to the huge opportunities ahead for the UK now Brexit and the covid lockdowns are behind us.

He needs to reassure us that the high levels of taxation are temporary, brought on by covid and the Ukraine war. He should point the way to a slimmer, fitter and better public sector after several years of poor productivity and service interruptions from lockdowns and strikes. We need empowered users of public services, and well rewarded public servants with

the machine power and data to be more productive. People want access to doctors and hospital appointments to be easier and quicker, for their children to have a choice of good schools, for our public transport to be on time and affordable and for our roads to have fewer potholes.

He began the fight back over the last two weeks. Government should not be telling us which cars and heating systems to buy and then stopping us buying ones they do not like. It should not be keeping our oil and gas in the ground and importing it from abroad. They should not be raising taxes on strivers, savers and small businesses.

Tomorrow will offer some ideas on what he can now deliver.

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## [My Interview with Talk TV](#)

Please find below my Interview with Talk TV's Mike Graham where we discussed illegal immigration and my new paper on Inflation

You can find it between 1:13:34- 1:23:22

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## [Public spending up by £350 bn this year on 2019](#)

The combination of inflation, a productivity collapse and higher interest rates means public spending is up by £350 bn this year compared to 2019.

No wonder taxes are so high. If the public services got their productivity back up to 2019 levels they would cost £30 bn less. Productivity was down 15.2% in 2020, up 7.3% in 2021 and up 1.7% last year. Overall public sector productivity 2019 to end 2022 is down 7.5%.