

My Conservative Home article – The aims of the government

Rishi Sunak in his New Year speech set out three economic targets and two promises on NHS waiting lists and illegal migrants. There is nothing wrong with putting three economic matters top of his five point plan. It is “the economy stupid” as Clinton reminded us that will determine the election result. It is the economy that is on most minds, as people navigate high inflation and worry about a recession. I am glad he regards economic improvement as central to his task over the next two years. Most of the rest would flow from economic success.

The problem is that economic language and overlapping economic targets do not set the pulses racing or reveal much about the vision. All main parties want inflation down, debt under control and some growth. The issue on the economy is who has the best policies to achieve those aims? Who is most likely to see it through? What do those generalised abstractions mean for individuals trying to pay the gas bill, seeking a better job or running their own small business? If you are in government and have been in office for some time you need to show you have produced good results and have done all you can to maximise people’s life chances and minimise financial pain.

The first aim to halve inflation should happen this year. The Bank of England has shifted from too lax a policy promoting inflation in 2021, to too tough a policy now, leading us into recession. This will bring prices down the hard way. Halving price rises still leaves inflation well above the 2% target.

The second is to “grow the economy”. That is an excellent aim, but not one we will see for much of 2023 on current policies. The government needs urgently to present to Parliament a growth package. Several of the pro jobs and business tax proposals in the Truss/Kwarteng budget would help, along with the more vigorous Free Ports, Enterprise zones, public/private partnerships and realistic energy policies that they proposed. These need to be shaped into an affordable package, balanced by some spending reductions as the government wrestles with public sector budgets that are costing too much and delivering too little. Encouraging and helping more people into work would be an obvious win win that would help by cutting benefit payments and raising tax revenues. Stopping the Bank of England taking so many losses on its badly bought bond portfolio would also assist. Producing more something for something pay deals in the public sector to lift productivity from its current deep low could be transformational. Pushing through more UK oil and gas production would not only cut imports but boost tax revenue.

The third of the economic aims is to “get our national debt down, so that we can secure the future of public services”. It turns out this relates to the old Maastricht target of debt falling as a proportion of GDP, a target even the EU has suspended. It relates to five years hence, well into the next Parliament so it is no early constraint on action. The best way of achieving such a goal if you must is to promote faster growth – or reverse a recession – as debts and deficits fall when growth generates more revenue and cuts the cost of unemployment as more get jobs. Putting up taxes this year

does not lower the deficit in five years time, as the recession and energy support payments are going to mean a lot more borrowing this year than was planned in the March budget Rishi put through himself.

The fourth aim is to cut NHS waiting lists so people can get care more quickly. That should receive almost universal agreement. The issue is not the aim but the means. It also leaves open why hasn't this happened before.

The fifth aim is Rishi's first stated priority when he became Prime Minister. He will legislate to ensure if you come illegally you will "be detained and swiftly removed". That would be popular with many Conservatives. It assumes Ministers now know which powers they need to take to make sure the courts and lawyers do not thwart their wishes again, as this has long been the stated aim. We are awaiting early legislation in Parliament.

The speech went on to stress the need for innovation in business to power higher productivity and higher wages, stronger communities, world class education, better healthcare for patients and placing the family at the heart of social life. Most of this was general in nature but drew on his own family background well to illustrate the themes. The one specific, more maths education for all six formers, is an idea in search of a policy. It does not mean all have to take maths A level. It will require consideration by teachers over what can be taught to those not offering specialist maths/ There is the problem who can teach it and what assessment or qualification if any would follow.

Many ask me if this is a winning vision. I think the Prime Minister is right that his strength must be competence so what he needs to do is to demonstrate he can deliver on these five promises he has made. He chose the ending of illegal migration as his first priority, seeing the political significance of not being able to control our own borders. He understood the resentment felt by many to see young men pay substantial sums for a dangerous boat trip to enter illegally and to be put up in hotels with free medical care paid for by UK taxpayers. Stopping this would be an important achievement, saving lives and giving proper priority to the asylum seekers from Afghanistan or Ukraine where we have legal routes of entry for them. There will be a success to report when we see many hotels return to their proper use.

Getting NHS waiting lists down will be difficult. The fast growing population from migration and the backlog of health cases brought on by covid disruption of other NHS services means the NHS is under pressure. There are too many unfilled vacancies and the employees are unhappy. The PM will need to persuade the senior management of the NHS to expand capacity quickly, which will need more beds and medical staff. The government does not have the time nor mandate to embark on major reform of the NHS before the election. It can encourage managers to improve staffing arrangements, reduce pressures where waiting lists and times are unacceptable and expand capacity as much as possible. It is odd how resistant NHS managers are to putting in more beds with the medical staff to support them. The latest package offers us virtual beds, not the real things in hospitals. Some of the many extra billions provided to the NHS needs to find its way into extra capacity rather than more quangos, Diversity Officers and management consultants.

It will be the economy that determines how most voters feel about the government come election day. You cannot hope to create a better

economy just in time for the election and expect people to forget what has gone before. By 1997 the then Conservative government had recovered the economy well, but the public was not willing to forgive them for the deep recession brought on by their policy of joining and then getting ejected from the European Exchange Rate Mechanism. It is most important this government is seen to be battling against recession as the Bank of England and the other major Central Banks deliberately slow things down to curb inflation. Allowing the Bank to overdo it and give us a long and deep recession would be bad economics and worse politics.

That is why the government urgently needs a growth package. If we can boost investment in energy, in food, in transport and all the other areas where there are shortages which create inflationary pressures we will be tackling growth and inflation at the same time. Urgent and successful interventions to limit the downturn, to increase investment in the future mainly through private sector action, to get more people into work and to promote better pay for more output in the public services would be a winning combination. It does now require visible improvement, not just words, from a Prime Minister who rightly stresses the need to deliver.