My contribution to the Finance (No. 2) Bill debate, 19 April 2021

Of course, I am not going to vote against this Budget and I wish the Government well with it, but I would like them to pause a little, think through where we are and recognise that they may need to revisit some of these decisions in the months ahead.

My worry is that they are being too tough in their tax measures and too tough on people's incomes at a time when we need to build confidence and recovery, and they are doing so at a time when it is really impossible for their expert advisers and other economic forecasters to give them a clear steer of what the public finances will look like in two years' time, let alone in three or four years' time.

The Government seem to think that their experts can define a given amount of money that will be a shortfall in order to hit their longer-term Government targets, and therefore say that we need to make these tax changes for the next few years in order to fill the alleged black hole. It may be that they are trying to fill a hole that does not exist. It may be that we will have a much better recovery than the forecasters are thinking.

It may be that the economy responds much better over the next two or three years or, indeed, over the next two or three months, as the relaxations kick in.

We can see the difficulty that the official forecasters have if we look at the numbers they gave us as recently as November 2020. Then, the OBR, forecasting the budget deficit—the amount of extra borrowing—for the year 2020-21, said that it would be £394 billion, an enormous amount.

Bear in mind that it was having to forecast for only four months, as two thirds of the year had already gone. When we got the 11-month figures, up to February, recently, we discovered that they had come in at just £278 billion and so, subject to what happened in March, it may be that the OBR was the best part of £100 billion out on the deficit for the year in question when it tried to forecast, already knowing quite a lot of what had happened. It was, of course, massively too pessimistic. It is great news that we will have borrowed so much less than we feared, although clearly we are still borrowing far too much on an unsustainable basis, which is why we need to promote a strong recovery to get the deficit down.

I therefore say to the Government: let us show a little humility. The experts and advisers are not able to give us anything like accurate figures—I can sympathise with them, because extreme things have happened in response to the pandemic—so are we sure that we need to make these moves over the next three or four years?

There is also a case for showing a bit of humility and thinking ahead about whether we might need to show a bit more flexibility because the Government themselves have rightly said, now that we are out of the European Union and the economic world has been stood on its head, that they want to set out a new framework for guiding the economy.

I encourage them to do that, and I hope it is a framework that promotes growth and considers real issues such as the increase in the number of jobs, the rise in real incomes and the productivity growth that can be achieved.

We need to get away from the Maastricht criteria, which have governed our policy for many years and still seem to be behind the architecture of this Bill. We seem to be driven by the need to get state debt falling as a percentage of our national output by the end of the period that we are talking about today for the tax changes. State debt is now a pretty useless figure to try to target in the way that the Maastricht criteria did.

We now live in this age of monetary experimentation, where great banks such as the Bank of England, as well as the European Central Bank, have bought in very large quantities of state debt—indeed, they still are doing so. Surely, where that happens in a single sovereign country with its own central bank, owned on behalf of the taxpayers by the state, we should treat the debt that we have bought back in rather differently from the debt on which we owe money by way of interest to people outside—some our own citizens, some foreigners—who have been financing the Government.

That makes state debt a very difficult number to use to guide the economy. Of course, the future system must have some control over the build-up of actual interest charges that we have to pay to third parties, but it should concentrate much more on promoting growth.

May we therefore have just a few words from the Government, accepting that these numbers are very difficult and that the current forecasts are likely to be very wrong? No one can say exactly how wrong they are going to be, because so many things will happen over the next two or three years and nobody has been through a bounce back of the kind of pace that is possible from such a big hole in our economy, created by necessary health measures to cure the pandemic.

We need a policy that is very supportive of more jobs, of higher incomes and of encouraging investment, enterprise, saving and, above all, self-employment and more small business activity.

My worry is that the Government are being a bit mean with people and with small businesses in the name of controlling state debt at a time when we have no idea what the state debt will be in two or three years' time, and when the state debt number is now very different because of the purchase of state debt by the state itself.

I would hope that the Government recognise that we may need to revisit all this, and I would want them to be on the side of people keeping more of the money they earn and, above all, of a much better deal for small business and the self-employed, where I think they are too tough.