

My Intervention on the Charter for Budget Responsibility

Charter for Budget Responsibility – Volume 727: debated on Monday 6 February 2023

John Redwood

Will the right hon. Gentleman give way?

Mr McFadden

I am happy to—I thought mention of the IMF might bring the right hon. Gentleman to his feet.

John Redwood

I would like to know the Labour position. The European Central Bank is not selling debt at a loss into the market because it does not want the losses. The Americans are selling debt into the market at big losses, but they do not send the bill to the taxpayer. Only the Bank of England insists on both making huge losses and sending the bill to the taxpayer for immediate payment. Who is right?

Mr McFadden

I suspect that the Bank of England will not be the only institution attacked by the right hon. Gentleman tonight, but I remind him that part of the purpose of the charter is to restore our faith in the economic institutions, after what happened less than six months ago.

The IMF has forecast that the UK will have the lowest growth among developed countries for the next two years: bottom of the league on the record and bottom of the league on the forecast. And yet still the Government come along tonight and table a debate supposedly designed to enhance their economic credentials.

Well, what will the effect on those credentials be of the re-emergence of the former Prime Minister at the weekend? I have to give her 10 out of 10 for timing. What better time to write an article saying that her mini-Budget was right all along than the day before the Chief Secretary has to come here and stand up for the Government's fiscal stability record? What better moment for her to say to members of pension schemes that had to be put on life support as a result of her mini-Budget that it was not her fault? No contrition for trying to borrow from my constituents in Wolverhampton South East in order to pay for a tax cut for people earning over £150,000 a year; not a word of apology to the millions of mortgage holders left paying a Tory mortgage penalty because of the reckless irresponsibility of the Conservative party. Just when the Government were trying to bury the memory of that mini-Budget under 10 feet of concrete, up she pops—like one of those hands coming out of the swamp at the end of the film—to tell us it was all someone else's fault.

For me, the best bit in the article was when, in a long list of culprits,

other than the Government that actually introduced the mini-Budget, the former Prime Minister blamed the Treasury civil servants for not warning her about the impact on pension schemes. I had to ask myself, were these the same Treasury civil servants that she had spent the whole summer scorning and disparaging? Were they the same Treasury civil servants whose boss was shown the door on the first day of her premiership? In what world are we expected to believe that the former Prime Minister, her Chancellor and the Government would have listened to a word those civil servants said, when all along she defined them as being part of the problem and not part of the solution?

The real problem for the Prime Minister, the Chancellor and the Treasury is that this is not going away. The last Prime Minister is not a lone voice, and the more that Conservative Members realise the Government have nothing left in their tank and are resigned to managing decline, the louder the drumbeat will become; and it will be cheered on by the same newspapers that gave such a warm welcome to that mini-Budget in the first place. The Prime Minister, demonstrating the sureness of touch with which we have come to associate him by now, has labelled those on the Government Benches calling for tax cuts "idiots". That is his phrase, not mine—about those on his own side. And yet today, fearful of them, the Prime Minister now says he will listen. Which is it? Are they idiots or is he listening? This weekend's intervention, and those who cheer its argument, will have the Prime Minister and the Chancellor looking over their right shoulders every day between now and the election, when they should be focused on the needs of the country.

This debate is supposed to be about all of us swearing fealty to fiscal rules, but there is another problem: since this Government came to office, they have broken their fiscal rules 11 times. They have had even more sets of fiscal rules than they have had Chancellors and Prime Ministers over the past year. If you don't like one set, don't worry—there will be another one along in a while! The Chief Secretary himself outlined how these rules were different from the ones we debated this time last year in the George Osborne tribute debate of 2022, and each time we are expected to treat the new rules as though they were the ten commandments.

The second part of this is about respecting the role of the Office for Budget Responsibility. The document before us is very clear about that. It talks in great detail about the importance of that role. Indeed, when it was first launched, the Economic Secretary to the Treasury of the time set out the benefits of the OBR, making clear the value of its

"strong, credible, independently conducted official forecasts"—[Official Report, 14 February 2011; Vol. 523, c. 747.]

She said that the establishment of the OBR and its independence from the Treasury meant that

"Governments will be reticent about introducing policies that seem to take them off course"—[Official Report, 14 February 2011; Vol. 523, c. 749.]

Well, there was not much sign of that reticence last year as the Government crashed the economy, caused a run on the pound, caused mortgage rates to rise

and put pensions on life support. Indeed, we had a real-time lesson in the cost of disparaging our institutions—institutions that the Conservative party used to care about. But tonight, even after that experience with chapter 4 of the charter, we are back to a hymn of praise for the OBR.

The real problem here is not just inconsistency, but credibility. I am afraid that the many-year record since the idea of this charter was first conceived a decade or more ago has meant that the Conservative party has now forfeited the right to call itself the party of sound management; it has forfeited the right to call itself the party of growth, because the record on growth has been abysmal; it has forfeited the right to call itself the party of low debt, because debt has rocketed; it has forfeited the claim to careful stewardship of the public finances, with billions lost in bounce back loan fraud, personal protective equipment waste and tawdry stories of one dodgy contract after another; and it has forfeited the right to call itself the party of low tax, because the tax burden is at its highest for decades.

What, after all that, has this been for? We have record waiting lists, trains that people cannot rely on, and delays and backlogs everywhere. In fact, there is not a single public service that runs better now than it did 13 years ago, when the Tories took office. Low growth and high tax for a worse outcome—that is the record. When people are faced with the question, “Are you and your family better off?”, the answer is no.

Two weeks ago, we had the Chancellor’s speech on the way forward. He had four Es, and more than one person said that the biggest E was for empty, because the real problem for the Conservatives is that, when it comes to growth, the only policy they reach for is unfunded and untargeted tax cuts, and when they tried that in September, it blew up in their faces. Growth is the right question for the country, but it does not come from the discredited idea of trickle-down economics. It comes from the efforts of all of us—from every businessperson with a new idea and the drive to make it happen, and from making sure we use the UK’s strengths to make the most of the green transition that is coming, rather than standing back and allowing those investments to go elsewhere. It comes from every teacher equipping a pupil with new skills and knowledge, and from not having 7 million people on NHS waiting lists, keeping many of them out of the labour market. Talking of former Prime Ministers, it does not come from saying “F*** business”, but from a modern partnership with business that brings in the long-term investment the country needs. Most of all, in a knowledge economy like today’s, growth has to come from everyone, not just from a tiny proportion of people at the top.

Fiscal stability is an essential foundation for what we have to do—I agree with the Chief Secretary on that—but it is not an end in itself. It has to be the foundation for meeting the challenges the country faces and for giving people a more prosperous future. After many years of this debate, we look less at the latest version of the rules and more at the gap between claim and reality, because after crashing the economy and leaving the British public to pay the bill, the Government have no credibility to come forward and claim to be the champions of fiscal stability.

The idea for this charter was born in another political time, as I said at the start, and if it did have a purpose, events since have rendered it an unconvincing exercise to say the least. It certainly has not kept the Government to their fiscal rules, which have been broken many times, and it is unlikely, particularly after recent months, to convince anyone outside this Chamber that the Government have got the economy back on track.