

My Speech on the Spring Budget

John Redwood (Wok, Con):

I have declared my business interests in the Register of Members' Financial Interests.

I am pleased that the Chancellor started by reminding the nation that, under Conservative leadership, Governments since 2010 have presided over the creation of 800 new jobs every day, every week, every month and every year, and have halved unemployment. The scourge of worklessness, which was inherited, has been banished. We now have the less worrying problem that we cannot get enough people to fill all the jobs, rather than the other way around of not having enough jobs for the people.

I am pleased that the Chancellor reminded the House that, in growth, we have outperformed all the major European nations, although I am sure he would agree with me that that is a feeble target to set ourselves; we are now free to do so much better. The question we need to ask is: why has the United States of America outperformed Europe so comprehensively for so long, and what can we learn?

The first thing we can learn from the United States is a better system of economic policy guidance and control. The requirements on the Federal Reserve Board, the US central bank, are a balanced mandate: not just 2% inflation, which is a necessary target that we share, but the promotion of growth and of growth in employment, so the board understands the trade-offs and can adjust policy accordingly. As our way of steering the economy, I would love us to get rid of fanciful, made-up figures by the OBR for five years' time, which are always wrong, and to have two main aims: that 2% inflation target binding not merely on the Bank but on the whole Government, because Government have a big impact on prices and wages; and a 2% growth rate target, or a considerably higher growth rate than European countries have been achieving in the past decade. That is achievable if we take the right actions.

To do that, we need the Bank of England to work in sympathy with the Government's policy. I remind the House that there is a dual mandate on the bond portfolio, the so-called APF or asset purchase facility. The Bank of England, having bought far too many bonds at ridiculously high prices on very low yields and run a very loose policy that gave us inflation, has now lurched too far the other way and is running too tight a policy, selling far too many bonds at much lower prices—prices it deliberately lowered in the market—and saddling us with losses. The Budget documents confirm that the accumulated losses paid so far, which taxpayers and the Treasury have to pay, amount to £49 billion since the thing flipped over in 2022. The last figure I saw was £34 billion, year to date—unaffordable and unnecessary, quite the wrong policy, meaning that we have less growth and a far bigger bill.

I am glad that the Government have decided to major on productivity in general, and in particular on public sector productivity. Some months ago, I

stumbled across a well-concealed Office for National Statistics figure saying that in the three years since covid, we had lost 7.5% productivity in our public services. I did a quick back-of-the-envelope calculation, and that is roughly £30 billion, which means that it costs £30 billion more today to produce the same level and range of public service as it did before covid, as well as the many tens of billions more on top of that we had to pay because of all the inflation. It was a £30 billion hit.

The Government now more or less agree. The Chancellor has costed the loss in his figures at 6% rather than 7.5%, but he has said that he wants to eliminate a 5% productivity shortfall out of the 6%, and he costs that at £20 billion, which is exactly the same as my £30 billion for 7.5%. That is felicitous indeed. The issue is, how will they go about doing that?

I hear that the scheme for the NHS is elaborate expenditure on wide-ranging centralised computerisation—good luck with that—but I would not rely on that alone for my productivity package for the public services. We do not actually need new investment to get ourselves back to the productivity level we were at in 2019. We do not need to use all today's wonderful artificial intelligence; we just need to use what we already had, which we had in 2019. It is about management, personnel and giving the personnel the right tasks. We have seen a huge increase in managerial and administrative positions, but far from managing things better, they are being managed less well.

We had a shocking case in the press recently, where an awful lot of managers were presiding over a prison that had gone wrong. They were not able to do the more important day-by-day things that were needed in order to resolve the problem. If we look at the huge expansion in the civil service and other public administration during the covid period, we will see a big increase not only in numbers, but in those who have been promoted up the grades for whatever reason. We need enough people for someone to supervise, however, and we do not need all supervisors, because they are often too posh to do the work. We need to manage things better, and that is the productivity challenge before us.

I also urge the Government to abolish UK Government Investments. It is a very expensive body that has a completely dreadful track record. It presided over the Post Office and did nothing to deal with the sub-postmasters; it presided over £1.4 billion-worth of accumulated losses, bankrupting the corporation; and it presides over Network Rail, and the whole rail industry, Network rail and High Speed 2 are absorbing £33 billion of public money this year. I do not think we are getting value for money for that.

My time is up. I urge the Government to redouble efforts on productivity, to understand that it is mainly about whom we hire and what we ask them to do, and to get rid of UKGI, and I ask Ministers to take responsibility for the dreadfully badly performing nationalised industries.