

# Getting inflation down and growth up

The inflation was brought on as a result of excessive money creation, bond buying and ultra low rates. It was compounded by shortages of energy, food and other basics. The inflation will now come down as money and credit are much tighter. Inflation is however proving obstinate because there remain some difficult supply shortages, price controls have delayed energy falls in the UK and public sector productivity has fallen a lot leading to too high a level of public spending.

The Bank's policy is to squeeze demand by raising the price of borrowings. This will put off investment, cutting demand for investment goods and construction. The main impact is on mortgages, narrowly targeting the worst hits on the 2 million or so who will need to renew their mortgage loans before the election, and on potential first time buyers who will be excluded from the market. It will take time to hit overall demand as the hit to incomes only occurs at the maturity date of the old lower rate mortgage. Meanwhile the millions of savers with money on deposit will enjoy an increase in income facilitating more demand from them. The Bank is hitting mortgages especially hard by selling £80bn of bonds a year, given the way the price and rate on the bonds of the right maturity is directly relevant to fixing commercial mortgage rates.

To get inflation down the government needs to undertake a series of supply side boosting measures. The UK can extract more of its own oil and gas with a big boost to its revenues and reduction in the balance of trade deficit. Grants to farmers not to farm should be replaced with grants and loans to encourage a big increase in domestic outputs, especially of fruit and vegetables where we have lost a lot of market share this century.

Reform of IR 35 allowing more people to work for themselves and to attract contracts from companies could lead to a reversal of the big decline in self employment and greatly add to capacity and flexibility in a range of markets. Raising the VAT threshold from £85,000 to £250,000 would lead to a same year boost to output by many small companies that decline business or have a temporary shut down to avoid going through the threshold.

These two tax measures will be costed as losing revenue, which is debatable. To cover estimated Treasury costs of say £4bn the government could rephase and reduce the £20bn carbon expenditures, suspend the free smart meter programme to save £1bn a year and transfer more of the costs of housing new migrant arrivals to the Overseas Aid budget.

There are many other ways of creating some fiscal space. It would be good to immediately cut inflation by temporarily taking VAT off vehicle and domestic heating fuels. There will be savings on the interest rate programme for a lower inflation rate, given the way the Treasury accounts for the non cash item of indexation costs on Index linked gilts. The government should press on with asset and property sales to release cash and lower spending.

Expanding supply with selective tax cuts paid for by spending controls is the best way to cut inflation whilst allowing some growth. Growth is the best way to get the deficit down.

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## [My interview with Talk Tv on immigration](#)

Please find my interview below between 1:08:00-1:20:00 where we discussed immigration

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## [The future of hydrogen](#)

There are many people heating their homes with gas who hope that the gas suppliers will develop hydrogen to replace natural gas, or to dilute it sufficiently in their networks to satisfy those who wish to drive to net zero. People are told modern gas boilers will take hydrogen with or without some modification, and will be cheaper and easier than a heat pump. Some hope that direct drive nitrogen vehicles as developed at the big end by JCB will be available instead of electric vehicles. Toyota has developed hydrogen cars.

There is considerable interest in the idea that hydrogen could help solve the problem of interruptible wind energy. When the wind is blowing well green hydrogen could be made and stored, to be used on windless days when we are short of electrical power. It could even be burned in generating stations. Various governments as a result of these developments are spending taxpayer cash on experiments and trials in the hope that they could push these matters forward.

Meanwhile there are customers who do not want to end their use of traditional gas boilers and petrol cars on the grounds that they are affordable and work well. There are rather fewer consumers who buy fully into the green

revolution and wish to buy a heat pump and an electrical car. There are many others willing to be persuaded that a hydrogen or electric answer to their heating and transport problems will work well, but think improvements need to be made before they will be ready to buy one.

The governments that are driving the transition have to accept they are falling behind in getting in the capacity it needs to change the way most people travel and heat their residences. Grids and power stations cannot meet the potential demand if a serious number of people decide to shift. One of the reasons they are finding it difficult to get in the capacity is the doubts and options over which is the best system or combination of systems to displace petrol for cars and gas for homes. It will take a huge infrastructure of gas production, storage and pipes if we go for hydrogen, and a huge grid and cable expansion if we go all electric. Lots of countries are carrying out limited scale experiments, some overlapping with others. No country has yet come out wanting a hydrogen solution to the main demands. Several countries have backed wind and solar energy but still have not cracked how to store and spread the power from hot and windy days to nights and windless hours.

Do you have any advice for those who are designing away to find a road to net zero? What role is there for hydrogen, and how can renewable power be stored? Who should pay the costs of experimentation and investment in the roll out of any of the answers?

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## [My Intervention in the Road Fuel Prices Urgent Question](#)

John Redwood (Wokingham) (Con):

Given corporation tax, carbon taxes, the windfall tax, fuel duties and VAT, is not the bulk of the price at the pump, and of other fuels, now tax-based? Will my right hon. Friend remind us of how much is tax and urge the Chancellor to reduce some of those taxes to cut the cost of living?

Graham Stuart, Minister of State for Energy Security and Net Zero:

I thank my right hon. Friend for championing the consumer, as he always does. As he will be well aware, tax is a matter for the Chancellor, but the whole House will have heard his passionate call to make sure that taxes are held down to the lowest amount they possibly can be. That is one more reason why we cannot have the Labour party taking control of the country.

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# NHS management

The NHS Chief Executive for England says as a commentator might that she would like the government to settle the nurses and doctors pay dispute. Many of us would like to see that happen, as it will take a happier workforce to deliver the targets to get waiting lists down, treatments and operations up. A backbench MP can say that, a member of the public can urge that, a journalist can write articles about it. I find it most odd that the CEO says it. She after all hires and fires staff members, settles pay and job gradings, supervises promotions and training, and directs staff to the places where they can do most good to deliver the services the NHS needs to look after the public well.

To suggest that there is a simple row between medics and Ministers over how large a percentage increase in pay there should be leaves open the question of what is the CEO's view of how much such a rise should be? Surely she and her advisers know what the jobs market tells them about pay levels, and her daily contact with medics should give her insight into what they want by way of pay and conditions to end their strikes. She also knows what increase she has agreed for her budget this year and must have a view on what is affordable. Management is usually about making difficult decisions about how many people to hire, how much to pay them, how to deploy them and how to energise them to raise productivity. With over 400 senior managers on six figure salaries there are people who can help her with these decisions.

If the CEO is working well with Ministers then you would expect her to be influential over helping set a pay offer. This advice would be given privately and she would either win the argument or accept the Ministers judgement having put her case. This would then be a united NHS management offer, bringing together both politicians and senior managers. More importantly many of the demands of the medics in the public version of the pay negotiations we have all heard are about non pay issues. They want better work rotas, more support from other staff, better conditions and the right supplies and equipment. These are all issues that fall to the managers more than the Ministers to resolve, working within budgets and signing contracts with external suppliers.

Ministers rightly have to take the overall responsibility for what happens and what is achieved. They need to work with senior managers closely. I hope the managers will find a way to influence and then support Ministerial policy, which tends rightly to concentrate on overall aims and targets. Real and cash health spending have shot up since 2019. The issue is what are patients getting for it, as well as why cannot all that money buy more contentment with jobs and remuneration packages? £233 bn for public sector UK health is a lot of money which needs to buy more happiness.