

Minister's statements and lies

Most of what a Minister says in the Commons has been scripted by officials. Even the few Ministers who insist on writing their own texts as I did would always get it checked by officials, as what a Ministers says has to reflect what the department has done and is doing as well as the Minister's interpretation of government policy.

Departments are large and employ many senior people who have some powers to make decisions and make statements to individuals and companies coming into contact with their department. Any one of these contacts can miscarry. The Minister has to accept the blame and handle the fall out when official conduct of business causes a national outcry or a media storm. Officials of course have to operate within the policy framework laid down by Ministers, but the framework allows for flex and officials are good at selective enforcement of the policies depending on their own enthusiasm level for what the government is trying to do.

When I first became a Minister I was asked a question about what the Business department knew about a company that was behaving badly. The officials drafted the reply as of course it all related to a time before I was a Minister. The reply stated clearly the department had had no contact with or knowledge of the miscreant company. Realising the importance of this answer I invited the relevant officials to a meeting and stressed the importance of this being accurate, as it was a convenient response for the Department. They confirmed they had checked files and there were no complaints/reports/queries. Shortly after I had published this written answer I was sent a memo by a different official telling me I had given a wrong answer as he had a file and contacts with the company which the officials answering had not known about! It meant I put myself on a crash course into the inadequacies of central filing in the department, whilst apologising fully and promptly for the mistake to the Shadow Minister who had rightly asked the question.

The employment of a lot of officials with a general education not relevant to the specialist area they are handling, coupled with rapid changes of job and personnel drives officials when drafting for Ministers to ambiguity, vagueness or generality away from specific, data driven replies. These are "safer" and easier to write. A Minister supervising replies to Parliamentary Questions needs to insist on a proper answer with relevant and factual back up and data.

The issue over whether the former PM misled the House over gatherings in Downing Street raises important issues about the interplay of officials and Ministers. The gatherings in question were organised by officials who sent out invites, arranged any food and drink and attended themselves. In Downing Street they did so under the eyes of very senior officials who also came to some of these events. Several of the events were not attended by any Minister, and others were subject to the Prime Minister dropping in briefly. Presumably the officials thought these happenings were within the rules, as

part of the permissions within a workplace between colleagues. Clearly no senior official intervened to stop them or to alert the Prime Minister to their possible illegality. They would have to brief the Prime Minister for subsequent questions about their conduct that nothing had occurred that broke the law.

The civil service is understandably defensive. In a democracy it has to deal with many false allegations about its services from people who are angry the policy does not help them or with the decisions made. Ministers need to help-sift the complaints and make sure the ones that are true are followed up with suitable remedies and apologies.

Lies and Parliament

Telling the truth assists democratic debate and good government. I myself always seek accuracy when making statements or writing blogs. In the Commons a lie is called misleading the House. It can be inadvertent, the MP made a mistake or did not know his or her statement was false. The MP is asked to correct it urgently and all is forgiven if he or she does. It can be deliberate, in which case the House may proceed with investigation and punishment.

There are a whole series of lies regularly told by governments and other MPs which are accepted because they are untruths shared by many people and political parties, or because they are essential to sustain policies and government actions that are coming under pressure.

In some cases most can see why someone has to lie. A Labour Prime Minister who had to deny he was about to devalue the pound shortly before he did so had to tell relentless markets he had no intention of devaluing to try to stave off the market forces. A Conservative Prime Minister who took us out of the European Exchange Rate Mechanism had to keep denying he would do any such thing right up to the point of collapse of the policy of staying in.

Most of the lies are statements that MPs lazily accept without proper consideration of the facts. Let us take the statement "The Bank of England is independent". The Bank of England is 100% owned by the state. Its huge portfolio of bonds is fully guaranteed by the Treasury. It needs Chancellor permission to buy and sell the bonds. The Governor is appointed on the say so of the government. Chancellors meet Governors for regular chats to ensure monetary and fiscal policy are in step. The Governor has to submit himself to questioning by the Treasury Committees of Parliament. Parliament and government can and do regularly change the Bank's remit and rules.

I have heard a good few Ministers from three different political parties mislead the House from time to time. Belonging to the EU meant Ministers regularly recommended and defended laws the UK had opposed or tried to modify

when they had first been drafted by the EU. They never said this was a bad law we did not want, when that was true. Tomorrow I will look at why Ministers may say things that are wrong, relying on civil service advice.

Written Answers from the Treasury – Bank of England compensation

This answer reveals the huge extent of anticipated Bank of England losses on bonds they paid such high prices for. These losses are made worse by plans to sell bonds at big losses in the markets which they need not do. They should hold them to repayment on maturity.

Treasury has provided the following answer to your written parliamentary question (187009):

Question:

To ask the Chancellor of the Exchequer, how much his Department paid the Bank of England to compensate for losses on bonds last year; and what the budget for such payment is this year. (187009)

Tabled on: 02 June 2023

Answer:

Andrew Griffith:

HM Treasury has indemnified any losses or profits which emerge from the independent Monetary Policy Committee (MPC) of the Bank of England's Quantitative Easing (QE) policy. In the previous financial year (2022-2023), HM Treasury received £4,164mn in excess quarterly profits, while HM Treasury transferred £5,010mn to cover quarterly losses. The net transfers for 2022-2023 were £846mn to cover QE losses.

The future financial position of the APF is highly uncertain and will be determined by market conditions and the independent MPC's approach to sales. As outlined in this year's Mains estimate, HM Treasury has provisioned for £49,100mn of cash transfers to the Bank of England this financial year. This estimate has some conservatism built in to address the uncertainty of future cash flows, resulting in a prudent, but realistic, budget request for 2023-24.

The answer was submitted on 12 Jun 2023 at 15:34.

Mortgages

Mortgage holders coming up to renewal of their loans face substantial increases in the amount of interest they will have to pay when they select from amongst the new terms on offer. This would have been true whoever was running the government, as the main cause of the rising rates is the action of the Bank of England. As both major parties claim the Bank is independent, interest rates are what they are as far as government is concerned. Neither the Chancellor nor the Shadow Chancellor wish to depart from Bank actions and advice.

Government needs to do what it can to promote growth and reduce tax rates to ease the squeeze now being created by a tough money policy. It should not expand borrowing, but seek better control over spending as the counterpart to ease the tax demands on mortgage holders and others. All the huge extra spending on lockdowns and covid treatment is now behind us. The good news is some tax cuts pay for themselves. Every time past governments cut Corporation tax rates the revenues from business went up. When the Thatcher government cut the top rates of tax on incomes the rich paid more and paid a bigger share of the total. If the government reversed the tax changes hitting the self employed it could stimulate more people to work for themselves, expanding the capacity of the economy. If the government raised the threshold for small businesses before they need to register for VAT there would be a surge of extra work taken on leading to more revenues from other taxes. If the government removed VAT from domestic fuel it would help directly in getting the inflation rate down, with beneficial effects on future government spending.

Were a government or the Opposition to propose higher taxes and more borrowing that could make the position worse. It might make the Bank want to force up interest rates more. The Bank is currently encouraging those operators in the markets that want to cut the price of UK government bonds by its gloomy tone. It is driving up state borrowing rates more. It would probably do even more of the same if it felt government policy was spending and borrowing too much. Today with no such fear the Bank still wants rates higher to curb inflation.

It is never easy recovering from a bad mistake. In 2021 the Bank of England confidently forecast 2% inflation for two years time. Now we have arrived inflation is four times that, a major forecasting error. Those who thought the Bank was creating too much money and buying up bonds at very high prices in 2021 were told we were wrong. When some challenged the inflation forecasts as prices started to climb the Bank sought to reassure by saying the inflation would be temporary. Last year and this the Bank changed its mind and its estimates, and has gone in for a long period of rising rates and credit tightening.

Today the Bank forecasts tell us inflation will come back down to below 2%. If they believe that why the need for yet more rate rises? If they do not believe it why are they not working urgently on their forecasting models to

come up one that could have forecast what has happened in the last three years, giving it more chance of forecasting what happens next? Mortgage holders would like a less volatile policy, where inflation stays better anchored so rates vary less. Switzerland, Japan and China kept general inflation down in recent years despite the big rises in energy costs last year, showing there were other policies Central Banks could adopt to keep price rises under better control.

Written Answers from the Department for Business and Trade

Department for Business and Trade provided the following answer to your written parliamentary question (187008):

Question:

To ask the Secretary of State for Business and Trade, how much the Government spent on subsidies to high energy using industries last year. (187008)

Tabled on: 02 June 2023

Answer:

Ms Nusrat Ghani:

Over £450 million was provided across the Energy Intensive Industry schemes in 2022. This was in addition to support provided by the Energy Bill Relief Scheme (EBRS) for businesses and other non-domestic customers. The EBRS ended on 31 March 2023 and provided around £7 billion of support to businesses, including high energy using industries.

The answer was submitted on 07 Jun 2023 at 16:29.