

My Conservative Home Article: Sunak represents a failed establishment orthodoxy. His record means he deserves to lose this contest.

Below you will find my latest article for [Conservative Home](#):

Rishi Sunak is a clever man with a good life story. I thought he was badly treated over his wife's wealth and tax affairs. Jealousy is no part of Conservatism, where we welcome people of all backgrounds, rich and poor, achievers and inheritors, people who can make it for themselves and people who need help. In office I always found him polite, willing to explain his position and interested in what colleagues had to say. I have never had any personal differences or problems with him.

I also found myself unwillingly drawing into more and more disagreement with the analysis he offered and with the actions he took as Chancellor. He started well amidst great popularity when he rightly backed and developed plans to offset the big economic damage of lockdown. I welcomed some money creation by the Bank in March 2020 and wanted a scheme to subsidise jobs whilst people were banned from working. Disappointment first set in when Rishi declined to treat self employed and small business people with the same generosity in all cases, leaving some smaller businesses at risk and threatening us with reduced capacity when we reopened.

I took issue with the increasingly pessimistic forecasts coming from the OBR which he accepted and from the Treasury which he signed off. In the budget debate of March 2021 I stressed that the forecasts were suggesting too large a budget deficit and borrowing based on low field estimates of tax revenue. There was no need, I argued, for a £12bn tax hike through National Insurance. A year later we see the central government deficit came down by a whopping £13bn compared to forecast, and tax revenue surged by £77bn over estimate despite or because of no tax rate rises that year. Rishi became a high tax Chancellor based on these views. Why did he do that? He told us he believed in low taxes yet spent his time in office putting in new taxes and raising the rates of old ones. He could instead have put in a growth strategy, challenged unrealistically gloomy forecasts and showed the power of selective tax cuts.

I voted against the National Insurance rise. Why did he decide that the missing £12bn he thought he saw in the accounts should be provided in this way? It was a clear violation of a Manifesto pledge. It was a tax on work and on business at a time when we needed to encourage both. He knew he needed to impose more discipline on the spending, particularly on the runaway budgets for test and trace and for covid loans, but found this difficult. He correctly agreed that the extra money going into the NHS needed to be tied down to specific spending needs that would boost the workforce and tackle the

backlogs but did not deliver. It is surprising given this that on his watch the taxpayer paid large sums to the private health sector in the UK to use their capacity for NHS work, yet failed to use that capacity fully to keep the waiting lists down.

Rishi started his campaign for leader defending the Treasury orthodoxy. No tax cuts could be afforded. The package he had announced to help offset energy bills was the answer. He would fight inflation as his single crucial priority. This was difficult to believe. He had, after all, signed off a further £150 billion of money creation and bond buying extending right through 2021, well into the period of rapid recovery. This was likely to prove inflationary. He pledged full taxpayer and Treasury backing for the Bank for any losses they might make on the large quantities of bonds they bought at deliberately elevated prices. These were not the actions of a cautious man preoccupied by the threat of inflation.

Under the pressure of the campaign he then shifted position. Removing VAT on domestic fuel was a good idea after all. In office he had always resisted VAT cuts and seemed to take the view that we could not change VAT in Northern Ireland as we wished. He did not favour resolving this through unilateral action.

He reasonably has also shifted to the view that we could borrow a bit more this year anyway as energy prices were looking worse. He now goes along with UK legislation to resolve the Northern Ireland protocol though still thinks the EU is about to do a decent deal with us, which several years of negotiations has shown to be unlikely.

Throughout the leadership campaign he has struggled to come over as Conservative. Where we want a lower tax society he in office put in major tax rises on incomes, profits, employment, energy and digital services. He has allowed or supported major expansions of state activity, adopted Labour's windfall tax and looked happy with an ever widening range of controls, rules, taxes and subsidies. Conscious he was not appearing to be Conservative enough he then adopted some punk Conservative proposals that he thought might please. There was the wish to charge people £10 if they did not turn up for a GP appointment, which annoyed many Conservatives who think the problem is more the other way round, actually getting one without cancellation by the NHS. He said he will double the number of deportations of foreign criminals without explaining how this would work given the trouble the government he belonged to had in handling criminal activity allied to migration.

I have no reason to doubt the poll findings and Conservative Home's surveys which suggest Liz will win with around twice as many votes as Rishi. If that proves to be roughly right it will confirm that the Conservative party is in a mood for positive and radical action to bring inflation down and try to see off a long and deep recession to follow. Rishi's strong suit was said by his followers to be his economic and business understanding and experience. It is I fear members appraisal of his time in office that has proved his encumbrance. He did put up those taxes. He did back the Bank, triggering an inflation almost three times target before Russia invaded Ukraine. He has changed his stance a bit during the campaign about whether we need to fight

recession as well as inflation.

I think the senior people in our party who pushed Rishi forward and tried to make him the shoe in establishment candidate did his cause harm. Their enthusiasm for an economic policy which had given us 10% inflation and may give us a recession was tone deaf to the mood of members and the country. Claiming it was what Margaret Thatcher would have done was so silly and wrong. By digging Rishi in behind a system and policy that had misfired they did not allow room to offer something better, let alone allow any reflection on what has gone awry economically in recent months. When we need change and improvement an attempted establishment stitch up is a bad look.

Conservatives want a better deal for all those who work hard, who set up small businesses, who battle on in self employment, who want to grow the economy and create more and better paid jobs. Raising productivity and helping more places to catch up with London's dominant economic performance requires more freedoms, more private enterprise, and lower taxes as well as more transport, water and energy capacity. Socialism penalises such people and makes the outlook worse. You cannot tax us out of recession though you can tax us into one. You cannot regulate prices down, you need to encourage more output and supply. Rishi flew too close to Treasury orthodoxy and got too keen on Labour ideas to win more member votes. Liz will speed more people on their personal journeys as training, education, self employment, opportunity come to touch many more.

Deficits and growth

One of the features of the OBR/Treasury model that works badly is the ability to forecast the all important public sector deficit or amount that the state needs to borrow each year. This is all important as the forecast drives tax policy. Whenever the model forecasts a high or rising deficit the cry goes up to increase taxes.

The last two years saw massive over forecasts of the likely deficit. It seems the model underestimates the impact of recovery or growth in output and incomes on the deficit. Faster growth spurs considerably more revenue, as each marginal pound of extra personal and company income is taxed more highly than average income. It is also more likely to spent more on discretionary items that attract more VAT and transaction taxes than purchases of the basics.

There is also an inbuilt hostility to any laffer effect. Cutting Stamp duty to stimulate transactions recovering from covid for example was scored as cutting revenue but the overall boost to taxable activity was positive and Stamp duty itself overall rose.

This financial year we may discover the model makes these errors in reverse

when there is little or no growth. I expect the deficit to exceed the OBR forecast of £99 bn given the big hit to real incomes and the marked slowdown in activity. The bizarre way of counting so called debt interest at a time of high and rising inflation will also push up the stated deficit. So far this year the government has paid bond holders just £11.6bn of debt interest in cash payments. It is scored as £39.8bn of spending given inflation effects on indexed debt with no accounting offsets for gains on erosion of real value of the bulk of the debt from inflation.

Public sector productivity

There is renewed interest in productivity. The way to higher pay and better services is to work smarter. Applying new technology and more machine and digital power can help employees achieve more. Improving ways of working to make them easier with more right first time can save money and improve service. As improvements are made so it is possible to share the financial benefits between the service users and the providers.

UK productivity has been disappointing this century. The ONS figures for public service productivity shows that our large public service sector has been particularly poor. Between 1997 and 2019 pre pandemic total public sector productivity rose just 3.7% over the whole period. In the first decade under Labour, 1998-2008, it did not grow at all. In the following period it grew at 0.4% a year. Public service productivity fell over lockdowns and has still not got back to 2019 levels. It was 6.8% below average 2019 levels in the first quarter of 2022, more than wiping out all the gains of the previous two decades.

This should be a matter of grave concern. Productivity of making welfare payments, for example is well down despite the arrival of much smarter computer programmes and automated payment systems. In the case of education some argue there can be a need to lower labour productivity by allowing fewer pupils per teacher or more teaching assistants per class. There are also ways of raising productivity when it comes to support services and use of on line materials.

The private sector has managed a bit better record on productivity, though here too there are service areas where a build up of more regulatory requirements and greater administration has offset gains from more digital processing and record keeping. Factory productivity has continued to advance rapidly in the best cases with the application of more computer control and robotic handling.

It is time the Cinderella of productivity came to the economic ball. There are ways to raise quality and reduce costs at the same time which are much needed in some public service areas.

The battle of the railways

The strikes that swirl around the railways are damaging a business in trouble. The railway main problem is it lacks fare paying passengers. The mainstay of the passenger railway prior to 2020 was the five day a week commuter into city centres. They were made to pay large sums for season tickets as they had no real choice over how and when to get to work. Covid lockdowns and the move to hybrid working has demolished the railways main pool of passengers. People now may only go in twice a week to the office . They may go in at other times of day that qualify as off peak.

The passenger market railway managers say they wish to expand is the leisure market. This has often been a discount market where people choose to visit places when they are offered cheap tickets. The railway often declines to run special trains to serve popular events which might offer some better fare opportunities.

Going on strike puts more people off relying on trains as well as losing most revenue on strike days. It gets occasional commuters doing more from home or finding road based alternatives.

The employees say they want a pay rise close to inflation along with job guarantees. All the time the railways are so short of business they cannot afford large pay rises. The pay increases the industry would be willing to pay depend on reaching agreement on working smarter. All employees need to buy into boosting fares and curbing costs to give them the best chance of keeping their jobs.

The government needs to stress that paying more and more subsidy to run more and more near empty trains is not a good use of taxpayers money. It also needs to allow more competition over using the tracks to run services and over putting in new links to get the railway to where the potential customers are. The Hull train services are a good example of how competitive challenge can create better service and new demand.

Wokingham roads consultation

Dear Clive

I am writing to urge you to extend the time allowed for consultation on your road plans, to improve the content on the website to allow clear overall visibility of the plans and to advertise it more widely so the public can engage.

The extensive plans to change roads and junctions in Wokingham Borough could pose considerable difficulties to all those who need to use a van or car to earn a living, to deliver items to homes and shops to keep us supplied, to get children to school, to get people to surgeries and hospitals, to allow mobility to the disabled and to give easy access to emergency vehicles when needed.

I welcome the provision of more and better cycleways away from main roads, and good walking routes also away from main roads. As someone who does a lot of walking in the local area I feel well catered for, with plenty of footpaths allowing me to get away from traffic. I support more greenways to schools so more children can choose to cycle or walk in relative safety away from main roads.

The area has experienced a fast pace of housing development which outstripped the capacity of the road network. Most new homes are lived in by people who need a car to get to work, to undertake the weekly shop or to go out in the evening. The Council was in the business of catching up with the shortage of roadspace by putting in much needed bypasses and better highways for motor vehicles, leaving other routes freer for pedestrian and cycle priority. This current plan seems to want to damage the main road routes, adding to potential conflict at junctions between pedestrians and vehicles, and creating traffic jams which will cause more motorist and van driver frustration. Changing successful junctions like the Woosehill roundabout which usually flows well is particularly worrying. Reducing main road capacity is a bad idea when we are short of capacity to start with.

The Consultation has been insufficiently advertised and is too short a time period when many people are away on holiday. The technology also does not make it easy to see what is planned in all parts of the Borough. It looks like an expensive and worrying plan which will worsen people's experience of the Borough, frustrate visitors and make normal lives more vexatious. I suggest the Council thinks again and goes back to a system of incremental improvement with a balanced approach which allows vehicle users principal routes to get around whilst providing more safe routes for cyclists and pedestrians. The main A and B roads should be strategic local routes to allow business to flourish and to permit all those who need to use a car because of distance or disability to do so easily.

At a time when the Council is worried about having enough money for crucial priorities in social care and education this potentially large expenditure looks badly judged.

Yours sincerely

The Rt Hon Sir John Redwood MP, D.Phil, FCSI

Member of Parliament for Wokingham

www.johnredwoodsdiary.com

Twitter: @johnredwood