

My interventions in the Opposition Day debate on the Delivery of Public Services

Rt Hon Sir John Redwood MP (Wokingham) (Con): Does the right hon. Member agree with me that if you wish to improve service you do not go on strike and if you wish to pay for higher wages you do not go on strike? Will he give that advice to the rail unions?

Pat McFadden, Shadow Chief Secretary to the Treasury (Lab): I had anticipated one or two interventions on strikes, so let me say to the right hon. Gentleman that whoever's responsibility the strikes are, it is certainly not that of a party that has been in opposition for 12 years. He and the Ministers he supports will have to take responsibility for the industrial strife they are presiding over. I say that to him in the anticipation of other interventions in the same vein.

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Rt Hon Sir John Redwood MP (Wokingham) (Con): When I asked representatives of the Health Department how many chief executives there were in NHS England, they said that they did not know. Has my right hon. Friend had any more success than I have in finding out how much senior management there is, how it is aligned with the interests of patients and how wisely it is going to spend the extra money he is giving it?

Simon Clarke, Chief Secretary to the Treasury: My right hon. Friend is right to say that with this budget for the NHS comes a responsibility for that organisation to be absolutely open and candid—in a way that, frankly, it has too often not been—about where its resources are deployed, and certainly to avoid funding a culture of managerialism at the expense of the patients. We have had recent success in securing some of the data that we have been looking for, but this is a subject where ongoing pressure from across the House for greater transparency is welcome. Certainly if there is any data that we hold that my right hon. Friend would like to see, I will do my best to facilitate that.

Net zero, inflation and energy security

Worldwide advanced country governments are committed to the road to net zero by 2050. Their plan at Glasgow COP 26 was to speed progress. The sudden

invasion of Ukraine disrupted the supply of oil and gas, drove up prices and made them more apprehensive about their duty to keep the lights on and homes warm. The EU announced that it would henceforth regard gas as a green transition fuel and accept more of it. President Biden turned from wanting the rapid run down of oil and gas production in the USA to boasting that more oil and gas is now being produced on his watch than happened in early Trump. The President is urging oil and gas companies to drill and produce more, and urging refineries to convert more to products. In the UK the government has moved policy on to favour North Sea oil and gas production instead of imports, and is examining the case for allowing onshore gas drilling again.

I would be interested in your thoughts on how far this rethink should go? How much more do governments need to do for the current decade to offer enough affordable energy? It is clear India and China as large users of energy and producers of CO2 now plan to mine and burn yet more coal, delaying the world's wish to move on from coal as soon as possible. Germany too is being forced short term into more reliance on coal as Russia cuts the supply of gas via pipeline.

Decarbonisation plans hinge on wholesale electrification of heating, industrial processes, transport and much else. In turn this will need a massive expansion of electrical power generation which must come from renewables or nuclear. It looks as if this will need methods of storing surplus wind and solar power when it is available to deliver enough power when the sun does not shine and the wind does not blow or blows too much. What do we think a realistic timetable is for installing the extra capacity and confirming the technologies for storage and smoothing?

It will also need a consumer revolution. People will need to accept the free smart meters which half the public refuses. Consumers will need to be tempted in large numbers to buy heat pumps and electric cars. How far off a popular revolution are we? Without it decarbonisation will make slow progress, and the huge increases in CO2 from the emerging world led by China will overwhelm the global figures.

[The EU expands its foreign policy](#)

This week at the G7 Germany as host nation invited Senegal, South Africa, Argentina, Indonesia and India to join the members. India as one of the largest economies and the most populated democracy has been several times before. The presence of two African nations shortly after Chancellor Scholz's three nation African trip is more interesting.

The EU has been stung by the exit of France from Mali and the growing influence of Russia in the Sahel, the long belt of land to the south of the Sahara from coast to coast. The EU wishes to buttress its influence in this region, offer military training and assistance against Islamic terrorism and

help stabilise countries to cut the flows of migrants northwards. Spain is particularly keen to extend an African policy to NATO as well as the EU. Recent dangerous eruptions of groups of migrants through the high and tough fencing that separates Melilla from Morocco has worried them. More than 23 people died in one of the attempts to break into the Spanish enclave on the north coast of Africa.

The EU is keen to establish military trainers and advisers in these states to help them with establishing and maintaining order. Chancellor Scholz was offering EU food as trade for Senegal at a time of disruption to Ukraine grain supplies to the region. He went on to South Africa to develop the long standing relationship with Sasol to create low or no carbon fuel substitutes for petrol and diesel.

Boom and bust from the Treasury and Bank

History shows us that Treasury and Bank advice for the last fifty years has been poor, or in some cases Treasury advisers failed to prevent Chancellors making bad mistakes.

1970-73 The Bank allowed a massive explosion of credit, creating a secondary banking and property crisis. Inflation took off, and the Bank posted higher rates to contain it. A collapse was inevitable

1973-4 An oil crisis brought on by OPEC hike oil prices and cutting supply added to the inflation. Higher interest rates and the net income hit from higher prices took the economy into recession and brought the property and banking system into trouble.

The Conservative government followed pay and price policies which did not work and failed to control the boom/bust policy of the Bank of England over credit and property valuations.

JR view – too inexperienced to have a view of the policy errors.

1974-6 A Labour government came in thanks to economic failure by outgoing Conservatives. It decided to spend and borrow too much. Inflation continued and the government was forced into a visit to the IMF to borrow money to shore up the falling pound.

1976-9 Inflation and low growth stalked the UK economy, allied to a winter of strikes.

JR view I disagreed with the big uplifts in public spending and borrowing, especially through nationalised industries and saw them as inflationary and

negative for growth

The Labour government followed a disastrous economic policy unconstrained by Bank or Treasury advice or maybe with their agreement.

1990-92 The UK joins the European Exchange Rate Mechanism. Economy enters a period of too much money and credit expansion, bringing on inflation, to be followed by a weak pound, excessive monetary tightening and a big recession.

JR view I wrote a pamphlet explaining how the ERM would be destabilising and argued the case against joining and against staying in.

The Conservative government was to blame for accepting strongly held Bank and Treasury advice to join and sticking with it after it was clear it was a disaster. Conservatives were evicted from government for 13 years for economic incompetence.

2004-7 Treasury, Bank and Gordon Brown allowed a big increase in credit and expansion of commercial bank balance sheets, claiming this would not be inflationary. Balance sheets of banks and borrowers become very overextended and inflation rose. Bank, Treasury and government then reined in credit too abruptly, raised rates and forced write offs of debt leading to the great financial crash and recession of 2008-9

JR view I opposed with my party the big build up in debt, and I also opposed correcting the imbalances so abruptly in a way designed to bring on bank collapses.

The Labour government lost office, so far for 12 years, based on its economic incompetence.

During all this time of boom/bust and defeats of governments I do not recall much comment on senior Bank of England or Treasury officials offering bad advice. Some of these events were brought on by following official advice. There has been no proper enquiry into bad advice and wrong forecasts.

[My Conservative Home article](#)

Some Conservatives are taking heart from the fact that in Wakefield and Honiton Conservatives stayed away rather than switching to Labour. It should after all be easier to persuade abstainers back than to tell switchers they have got it wrong. In Wakefield there was also an unusually high percentage voting for some of the many fringe parties and candidates that seek some attention on a by election hustings. Independent candidates normally get less than 1% of the vote each. One of the Independents got 7.6% of the vote, the Yorkshire party polled 4.3% and Reform and Britain First together got 3%, more than the Lib Dems scored. Many of these voters could be attracted to a

stronger Conservative offer.

Understanding why Conservative voters abstained or voted for candidates other than the three main parties is crucial for the government to do the right thing from here. The idea of a Red Wall is unhelpful. Voters in former Labour seats voted Conservative in 2019 because they wanted something different to the Labour offer of a bigger public sector, a preoccupation with political correctness and higher taxes, not because they wanted a Conservative version of the same.

They wanted more than Brexit in name only. They wanted a proud UK to use her newly won freedoms to promote prosperity for the many and to place the UK back on the global stage without instruction or limitation from Brussels. They had concluded that sending more money to the local Council, spending more on new public buildings and looking for the civil service to make everyone better off was not going to work. They disliked the EU model of closing down much productive capacity in the UK to import from the continent. They wanted a more enterprising freer UK where government helped people get on in the world. They wanted home ownership for the many, more opportunity to work for yourself, to set up a small business, to gain shares and bonuses by working for a good private sector firm, to receive the education and training needed to get promoted. Labour's collective and state organised ideas often stifled individuals and families making a success of their own plans for ownership, self improvement and better paid employment.

They expected Conservatives to lower taxes on work and enterprise, to promote more employment and to back business. They assumed that whilst there would be more money for schools and hospitals Conservative Ministers would be careful to control overall spending and would not allow an unwieldy bureaucracy to grow and grow without restraint. They did not want more quangos lecturing us on what we were allowed to say ,on how we should lead our lives and why we must buy a heat pump. They looked forward to ending the large payments to the EU and wanted overseas aid removed from countries with nuclear weapons or space programmes. Many people refused a free smart meter and opposed more surveillance as examples of creeping government control.

So why do so many of them now feel they have not got what they asked for? They did not expect a Conservative Chancellor to authorise huge extra quantities of money printing last year in a way that was bound to lead to more inflation. They did not ask him to underwrite with their money another £150bn of bond buying by the Bank of England, paying very high prices for the bonds. They certainly did not vote for a hike in National Insurance, a tax rise expressly ruled out in the Conservative Manifesto. They did not want IR35 strengthened further to put off people working for themselves. They

hoped that VAT would come down or be taken off things like domestic heating once we were free of the EU and able to set our own tax rates. When the Ukraine war added a further nasty twist to the inflationary spiral they expected the Chancellor to cut the VAT rates on electricity, gas, diesel and petrol, not to use it as an opportunity to tax us more on these necessities.

So what should the government do now to prove it has understood the message of the voters in recent elections? The main changes have to come from the Treasury. It is bad economic policy that is doing the damage. The hit to real incomes is too hard, taxes are too high, and current policy threatens us with a recession. The government needs a convincing growth strategy. That requires immediate action to cut VAT on fuels to ease the squeeze and cut the prices. It means binning the planned 31% increase in the rate of Corporation tax on businesses and stopping the attack on home produced energy through the supplementary profits or windfall tax they are planning. The Chancellor rightly wants an investment led recovery with more capacity being put into the UK. He will not get that if he serves up higher business taxes and a recession.

The government should go all out to create the best environment for business investment and growth in the advanced world. Strong businesses will bring more jobs, better paid jobs and more capacity. The UK as a result of years in the single market depends far too much on imports for everything from temperate food to energy, from steel to cars which it can produce for itself. If we matched the Irish corporation tax rate we could add to our capacity much more quickly and collect more in total business tax revenue. If the Treasury beefed up the freedoms in the Freeports that could help us grow new industries.

There are some signs that the Business department does want us to produce more of our own gas at a time of global shortage. The new oil and gas fields including Jackdaw, Cambo and Rosebank should be brought into use. That will cut our CO2 compared to importing LNG, create more better paid jobs and give the Treasury another tax windfall. There is some work now on a domestic food strategy. We could grow so much more for ourselves at a time of Russian induced shortage. Instead of EU grants to pull the trees out of our orchards we need UK help to replant. The UK with access to more gas could rebuild some of its lost chemicals and fertilizer industry.

This cannot await a late autumn budget. Every day we send out a high tax anti business message more investment will be delayed or diverted. All the time we continue with current policy a sharp slowdown or a complete stop to growth is inevitable. The UK deserves better and can do better. Now is the time to set out a bold strategy for freedom and growth. If we do this the voters will

return. We need a new Conservative way forward.