[Raising productivity – a policy all claim to like in general]

If we work smarter we can be paid more. That is the simple message behind the economists' idea of raising productivity. Today there is plenty of scope to do just this. Robotics, the digital revolution, powerful computers all allow an individual at work to have more machine power at their elbow. More of the drudgery can be done by machine, leaving individuals to do the more interesting things that require talking to clients and customers, making decisions about product and output, and organising production.

The area of the economy that has been most disappointing in the last 20 years for productivity growth has been the public sector. Of course we want quality to rise, and do not wish to scrimp and save on teachers or doctors. That still leaves plenty of scope to run the NHS or the education system more effectively. Quality and efficiency often assist each other. High quality means less waste, getting things right first time, doing things well in a way which maximises the use of resources.

The productivity problem lies behind why the government must ensure in its directly managed NHS that it gets good value for the extra money. Some of the money should be spent on systems and digital age equipment which makes it easier for trained staff to do their jobs and helps them control and audit the quality of what they do.

Those who see productivity programmes as excuses for cuts and less spending need to be reassured that proper productivity programmes create more worthwhile work, and go with the grain of all staff who want to raise performance.

[Growing faster – cutting taxes on transactions]

The government has developed a bad habit of increasing taxes on transactions. It now penalises people heavily if they buy an expensive new car. It hits anyone investing in rental accommodation for others. It penalises anyone who buys an expensive home or who needs a second home to help with their work or provide for their holidays. High Stamp duties have cut the volume of property transactions, and high VED has helped slash the purchases of new cars.

It is doubtful these tax rises have produced additional revenue. Clearly lower volumes of transactions reduces revenue, though there are some offsetting gains from charging much more on the transactions that survive.

There are also hidden tax losses. The property taxes mean less Estate agent and conveyancing income, less turnover for removal firms, less business for builders, decorators and home designers serving the needs of people moving and wishing to adapt their purchase. As car sales fall so there are losses of turnover and profit for car businesses.

The government should review its current transaction taxes and seek to find a level which does less damage to turnover and related activity. Cutting the duties would increase total revenue, and might even increase the revenue from the turnover taxes themselves , given the penal levels some now run at.

Growing the economy faster – cutting taxes on incomes

Government try to persuade us that they tax us to stop us doing things they think get in the way of a good life or damage the environment . So they single out smoking, drinking, driving and other conducts they do not like for taxes in the hope it will deter or reduce our activity in the penalised area. Those same governments claim to support work, and think work is good for us and for our neighbours who benefit from the work we do. So why then do they tax work so much?

They say they do not mean to deter us from working, but point out they need the money. They have to tax good things as well as bad things. They then claim to want to tax them in a way which wont be too damaging – unless they take a socialist position that high paid work is immoral or wrong. I agree that work is generally a good thing, providing incomes for people and interest to their lives. Many people get a sense of achievement out of producing goods and services others want, and enjoy some of the social contact that the workplace provides.

Under the Coalition the government recognised the need to make work more worthwhile, and did so by concentrating on taking more low income earners out of Income tax altogether. Today the Conservative government has choices. It could do more of that, or it could cut the rates. There is something to be said for rate cutting. If the marginal rate comes down working more is more worthwhile. Well done it might even bring in more revenue. Cutting the 45% top rate to 40% would tax the rich more – the cut from 50% to 45% as predicted here did bring in considerably more revenue. Cutting the 20% rate in stages to say 17.5% would provide a boost to most incomes in the country, increasing spending and activity. It too might boost revenue overall, when taking into account the extra revenue from VAT and other duties placed on transactions.

The USA, Italy and France are all going for tax rate cuts. The US economy is growing faster as a result, and the French economy is also doing a bit better. We need to catch up with tax cutting, so we do not become uncompetitive.

Spending and the case for social care

The government is currently looking into how we provide and pay for social care.

Today we have a mixed scheme. The general principle behind it is if someone needs meals and housing, these are normal costs they should pay for out of their incomes and pensions. If someone needs medical treatment or a stay in hospital, this is something that comes free under the NHS guarantee.

If someone needs help at home with everyday activities then they have to pay. If they are on a low income with few assets then the state pays. The value of their home is not taken into account when working out if they can afford the home care. If someone has to go into a care home then they have to pay if they have income and assets. The state pays when the assets have largely gone. The value of their former home is part of their assets for this purpose, and they have to sell their former home to pay for the care home. Of course if they have a partner that still needs to live in their own home this does not apply.

Some think this is unfair, as it means if an elderly person needs to go into a home they lose their home and its value if the fees so require. Conversely if an elderly person can stay in their own property, they keep the asset and get more help with the care costs if on a low income.

I do not think we should change this general approach. It would be too dear to offer people free care home provision so they can leave their former home to their children, whilst it would be too tough to demand people living in their own homes to have to pay a levy on the price of their home. No political party has come up with a popular way of making this fairer and easier. Some have suggested taking some of the value of the home for the person continuing to live in it, by way of an additional death tax, whilst putting some cap on the amount of the value of the former home someone needs to spend on care home fees. I would be interested in views on it, but still think it too difficult to sell the idea of what will be called a new death tax over and above IHT.

I want some additional money to increase the quality and quantity of social care, for people of all ages and disabilities. Better care is a good in its own right, where many of us are happy to make a contribution through taxation. It will also reduce more strain on the NHS by getting people back home more quickly after hospital treatment.

Spending and investing – what about transport?

The government has been playing catch up on transport capacity. A successful growing economy since 2010 needs more road and rail capacity than we enjoy. The outgoing Labour government at the end of the last decade slashed what remained of the roads budget as part of its efforts to cut excessive borrowing, after a long period when in office it had done little by way of new road construction. The present government has committed to the very expensive HS2 rail project which will bring extra capacity on the north south route, and to cheaper capacity expansion through digital signalling. It has started to raise the amount of road investment, but it remains low by pre 1997 standards and in relation to need. There is a missing two decades of investment to make good.

Now is a good time to spend on additional road capacity. Borrowing rates are very low, and motoring contributes far more in taxes than is spent on road provision. The Transport department has announced an intention to create a local strategic network of A roads to take more through traffic locally. This will require a substantial increase in the financial provision to pay for the schemes needed. In the short term a programme of improving junctions could increase safety and reduce congestion. It is also going to take road widening and by pass provision to complete the job.

The national route network also needs extra cash. Successive governments have failed to complete the south coast highway or the A 303 to the west country. There is a shortage of capacity on the Southampton to Birmingham haul road, the A 34, and on the main routes to the east cost ports. There are similar shortcomings in the north. Some extra investment should be spent on augmenting local and national road improvement.