

A Budget for growth, lower inflation and a lower deficit

I have been proposing a budget for faster growth and lower inflation. The notes beneath give the outlines of it.

The Prime Minister has three economic aims

- Get inflation down
- Promote growth
- Cut the deficit

These reinforce each other.

- More growth brings more revenue and lower spending on benefits
- Falling inflation reduces spending pressures, helps business with costs and lowers the deficit

The budget judgement

- The OBR forecast £131 bn deficit for 2023/4. Revenues have been better than expected so there is a £20bn improvement available
- The right kind of tax cuts can promote growth and boost other tax revenues more than the OBR model suggests. The OBR often under forecasts tax revenue.
- There are spending controls and reductions that can help cut the deficit as taxes are brought down a bit

Inflation is too much money chasing too few goods

- Our inflation stems from excess money, credit and bond buying by the Bank in 2020-21.
- Money supply is now falling. The Bank has lurched from far too easy to very tight.
- Government can help the Bank get inflation down by cutting taxes on expensive energy whilst prices remain high, and by offering tax cuts to the self employed and to businesses to promote more output.
- The Bank wants to get inflation down by stamping on demand. More work to boost supply would help.

What the Bank should do next

- The Bank is independent in in setting short term interest rates. It is likely they have now set them high enough, but they will make that call.
- The Bank acts as agent of the Treasury in buying and selling bonds, with a full Treasury indemnity for losses
- The Bank should stop selling bonds at a loss in the market and sending huge bills to the Treasury (£24bn in the first 4 months of this year) Run the portfolio off as and when the bonds are repaid.

Affordable tax cuts for growth

- The UK has lost 800,000 self-employed since February 2020. Some of this is the result of the 2017 and 2021 changes to IR 35 taxation. It is now difficult for the self-employed to get contracts from companies.
- The government should restore the pre 2017 tax regime. This should produce

a good increase in self-employment, saving money on benefits and leading to extra taxes on incomes from self-employment.

- Self-employment offers a flexible and fast way to expand capacity in a wide range of goods and services.

Boost small business with a VAT cut

- Raise the VAT threshold to £250,000 from £85,000. Many small businesses turn down extra work or have closure periods to avoid going over the VAT threshold in any given year.
- There would be a rapid increase in capacity as small business adjusted to a less onerous regime. There would be offsetting tax gains on taxing employee and business income as a result.

Take 5p a gallon off motor fuels whilst oil prices are high

- The government will get more revenues from domestic oil and gas production and from sales of energy all the time oil prices rise and stay high.
- Offer 5p off fuel duty per gallon all the time oil stays above \$75 a barrel. Review three monthly.

Suspend 5% VAT on domestic energy bills whilst gas and oil are high

- As with fuel duty, remove VAT temporarily while oil is above \$ 75 a barrel
- These two measures on energy will help push inflation down, which lowers public sector costs which have to match inflationary rises.
- They will also help contain business costs

Make a further reduction in Business rates

- Many businesses which provide a good service by occupying physical property to serve customers are suffering from high and rising business rates.
- Offer a further reduction in these costs to help business recover from the covid and interest rate shocks that have damaged output and profits.

Tackle the public sector productivity collapse

- ONS figures show public sector productivity is down 7.5% in the 3 years 2020 to 2022. This is a £30bn hit to budgets, raising costs by that amount to produce the same output. This is on top of large money increases in spending to handle inflation.
- Ministers need to work with public sector senior managers to restore the 2019 levels as soon as possible, freeing money for other purposes.

Cut the benefits bill by helping more people into better paid work

- The measures to boost self-employment and small business will help reduce welfare costs
- Switching more employment by helping people already settled here into jobs instead of increasing the numbers of legal migrants will also cut costs, both by reducing benefit demands and cutting the extra costs of providing homes, surgeries, school places for additional arrivals

Overall budget judgement

- The Treasury seems to think IR 35 changes would cost £2bn, the fuel duty change £2.6bn and VAT change £4 bn. Business rates could add another £5bn

- This is less than the current £20 bn increase in revenues/lower deficit experienced. It is also balanced by productivity restoration in the public sector. If only one third of the recent losses were regained in the first year that covers two thirds of this package.
 - The return to work and self-employment changes would also generate spending savings.
 - Any success in cutting inflation faster would also generate savings on the costs of government debt, given the way they account for Index linked
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Artificial Intelligence

Whether we like it or not, Artificial Intelligence is going to make big advances and huge changes to business . I see many wins from it, enabling as it will a productivity advance and a quality advance in many clerical, administrative and analytical functions. It is a greatly enhanced Google Search facility and an improved Microsoft software package with more capacity to help. Like all such big families of invention it will costs us some old jobs but throw up many new ones.

Some worry that it will be used by the criminals and the tyrants for evil purposes. That is of course possible, just as they use current computers and communications systems to try to disrupt our lives, steal from us and threaten us. We will still need a police force in the age of AI, and that force will need to be AI savvy.

I would not leap into legislating to regulate the businesses and create new offences. It is too early to know if that might be needed and what shape it might take . In the meantime be reassured. Theft, fraud, sexual exploitation, terrorism and violence are all against the law. The police can still track and arrest even if they are using some AI as part of their crimes. Using AI will also offer a new way to detect them as use of computers leaves footprints back to the original criminal user.

The issue we should be discussing is why are the world's three dominant AI/Cloud computing companies all US? It is good news there is lively competition to control costs for the users and drive faster innovation from Microsoft, Alphabet Google and Amazon Web Services. It should alarm the EU and worry us that no large company from this side of the Atlantic is seriously in the game and gaining substantial market share.

The BBC and world media

The meeting of the 1922 Committee with the Director General of the BBC on Wednesday evening was a private meeting and covered a wide range of topics before we had to vote in divisions. It led me to some more thoughts on the BBC and our media future which I would like to share more widely.

The BBC has an annual turnover of just £ 5.7bn. Whilst it remains an important presence in UK media, with access to substantial tax revenue in the form of the licence charge for watching live tv, it is a small presence worldwide. The global non UK activities earned just £2bn last year by charging users.

Netflix started up in 1997. It now has a turnover of \$32 bn or 4.5 times that of the BBC. Amazon Prime Videos business is comparatively recent but already has a turnover larger than the BBC. Disney with a worldwide total entertainment turnover of \$82 billion also has a tv turnover as large as the BBC without any preferential terms or tax in a particular country.

The BBC assures us it has a fine reputation abroad and it has ambitions to have a more influential world presence. To do so it needs to understand why the great US media corporations have been so successful at exploiting new technologies for dissemination of services and how they have captured the attention and the money of so many foreign viewers.

The BBC has a good back book of programmes and archival material from news to cultural events. It has plenty of expensive talent on its books. It commissions programmes from a range of independent producers. If it expanded its global business more rapidly this cost base could be defrayed over many more paying customers, and talent could be paid well out of the growing audience and revenue base.

Leaving aside the tax financed UK traditional business, the global/studios business could be expanded rapidly. To do so its ring fencing would need to be strong so no subsidy was paid across from UK taxpayers. It can have its own balance sheet with arrangements for accessing the back materials and the talent held by the UK BBC to the mutual benefit of the two arms of the Corporation. There could be talent sharing and revenue sharing arrangements where they were working jointly.

Some say the world BBC is held back by lack of money. With its own ring fenced balance sheet and revenue stream from overseas sales that should be easy to remedy. BBC Global could borrow against its talent, programmes and audience figures as it grows its own equity. It could bring in minority outside shareholders with equity contributions.

The UK has to earn its living. It should not sit and watch as Netflix, Amazon, Disney and the other US giants dominate the world media markets. With its reputation and established library the BBC should be able to help build one of the world giants of the new media age. Its immediate task should be to

put another nought on the number for its non UK turnover. The UK has done well at building a bigger domestic film industry and has some competitive flowering in domestic tv and radio, but needs to add a media giant to the repertoire to make a difference to our balance of payments and living standards.

Update from Great Western Regarding Proposed Railway Ticket Office Closures

I have received the update below from Great Western regarding the proposed changes to ticket offices. They have said that they have made a number of key changes to their proposals based on some of the responses they have seen from the consultation although the final results are not yet in.

Dear John

Just a quick note to remind you that Transport Focus and London TravelWatch will be reporting back on their consultation on how tickets are sold at stations next Tuesday (31 October).

We will send a further update then, but we thought it would be helpful to send a reminder and a quick update on the work we have been doing in the meantime.

We have been listening to stakeholders and colleagues and to Transport Focus and London TravelWatch who have been sharing key themes from the consultation, and as a result we have made a number of key changes to our proposals:

- **Digital First, Not Only:** We have changed our proposals so that retail trained staff will have handheld sales devices to support self-service ticket machines. This means customers will still find every type of ticket they can get today at a station in the future and staff will be available to help with ticket advice if needed. In addition, we will upgrade our ticket machines to sell a wider variety of tickets and more tickets will become digitally available. Staff will also be able to help switch to buying digitally via our app or other options like pay-as-you-go/CPAY
- **Staffing Hours:** We are extending our staffing commitment so that retail trained colleagues will be on hand for the same hours as today at all stations with a ticket office, ready to help customers when they need it
- **'Help at Hand' Points:** We have proposed the introduction of accessible, clearly marked Welcome Points with 'Help at Hand' buttons providing a direct link to a retail-trained staff member should they not be

immediately available

- **Cash availability:** We are proposing to add cash payment options to our self-service Ticket Vending Machines

We have also looked at the timing of the changes. Before any change is made, we will first need to agree our revised plans with the Department for Transport, we will then discuss the changes with our colleagues and their Trade Unions, complete updated Equality Impact Assessments for each station and a Crime and Vulnerability Risk Assessment.

Once this is complete, we propose to reduce the number of windows available at stations with multiple windows, bringing those staff closer to customers on the station floor. They will help customers use self-service machines, or digital purchase, while also helping with any queues for tickets with their handheld ticket devices. We will review progress before making further changes, including bringing staff from single window stations out from behind the glass, with handheld devices, and the pace of change will be driven by changes that customers make in how they buy their tickets.

Best Wishes

Great Western Railway

[Agenda for roads](#)

Now that government wants to help drivers get about there are ideas they can adopt to make the vision a reality.

Talking to Ministers, they say they do want highways authorities to review traffic light phasing and controls.

It would be good if all sets could be equipped with sensors so lights responded to different traffic conditions. At low use times lights should shift to green when any vehicle approaches a red light when there is no traffic using the green. At normal times green time should be proportionate to traffic flows.

If these systems cannot be used the phasings should be adjusted to reflect normal use patterns. For example, the lights at the junction of the Embankment with Vauxhall Bridge Road, a busy London junction, offer twice as long on green for traffic approaching from over Vauxhall Bridge. This produces unused green time in that direction and permanent queues on the other three. Why?

The government should allow traffic turning left at a light controlled junction to treat the red light as a Stop sign. Drivers should stop as now on red but if the turn was free of vehicles and pedestrians then they should be

able to proceed.

Ministers approving schemes to alter road layouts and junctions should not approve or fund Council schemes which are designed to get vehicles off the road. Of course we need better routes for cycles and safe paths for pedestrians. Taking roadspace off vehicles on busy main roads is not the way to achieve this aim.

Roundabouts are usually better than light controlled junctions. They should usually be preferred.

Where right turning traffic can easily get stuck Councils should be encouraged to widen the carriageway to create a right turning lane to free traffic going straight on or turning left.

Councils should exercise greater discipline over timings and duration of works that entail digging holes in roads. This should include their own Highways department.

Councils should move to getting utilities under verges and pavements in conduits with locked access to avoid the continuing need to dig up roads to repair pipes and wires.