

Go for growth to get the deficit down

The government faces grave difficulties in securing a pro growth economic policy from both the OBR and Bank. The OBR regularly makes large errors in its forecasts of the future deficit yet the whole fiscal stance is based around the OBR five year forecast. The truth is no one including the OBR can get to within £50 bn of accuracy for that figure with any reliability given the huge number of variables that will affect it over a 5 year period.

Indeed, the OBR has been unable to forecast the one year figure in recent years with any accuracy. In March 2022 the budget forecast for that year was a deficit of £99 bn. Some of us said that was too low at the time. In November that was hiked to £177 bn. The current view of the outcome was just £132 bn. So since the budget of November 2022 with no further policy change the OBR has been £45 bn out! In 2021-2 the budget forecast overstated that year's deficit by £131 bn.

What should be done?

The OBR should be asked to revise its models. They should provide an honest account of why their deficit forecasting has gone so wrong. Whilst there have been some in year policy changes, the main problem seems to be the revenue forecasts on unchanged policies. Their model wrongly thinks lower tax rates raise less money and higher tax rates more, without putting in a factor for behavioural change and for the rate of underlying growth to correct. Tax revenues are very sensitive to the rate of economic growth, as a marginal pound of extra output or income is taxed highly. Recessions lower profits and incomes cutting tax inflows. The OBR's ability to forecast spend on unchanged policies is also impaired where they need to work on estimates of take up of subsidy and benefit schemes.

The government should remain committed to getting debt as a percentage of GDP and deficits down in future. It needs to explain how sensitive deficits are to growth, and explain how adopting a better pro growth strategy would assist deficit reduction. It needs to adopt a pro growth strategy and draw on past experience to show how and why faster growth will prove OBR deficit forecasts wrong if they persist with high deficit estimates.

The government needs to make the case for lower tax rates bringing in more revenue. The Thatcher cuts in income tax brought in much more revenue from higher earners. The Osborne cuts in corporation tax brought in more business tax. Above all modern Ireland shows that you can collect four times as much from business proportionate to the size of the economy by setting a 12.5% tax rate.

The Coronation.

The Coronation is based on ancient ceremony from a time when monarchs had executive power as head of government. Our service also reflects the complex relationship with the Christian Church that emerged as the established Church of England from the Reformation.

Last century coronations evolved into grand spectacles, to create a holiday mood for the public and to engage people in the change of Head of State. The great show became a celebration of our country, a projection of our country to the rest of the world, and a search for what unites us. Prime Minister and Leader of the Opposition sit down together, smile on the proceedings and affirm God save the King. In return the monarch promises to serve us all and to stay above political controversy.

I trust today's event will proceed faultlessly and be enjoyed by all who participate, in person or at home. In a free society we are all at liberty to have our own views on both the individual monarch and the institution of monarchy. We can join in and enjoy or do something else today. For our country's sake it is good if all goes well, foreign guests are welcomed, and diplomacy advanced in the margins of the varied programme. The new King will use his influence both to accept his role as Head of the Anglican Church and his interest in including all the faiths in the service.

After the local elections

However the results pan out the Conservative leadership has to agree Conservatives need to do better. The polls show we have lost the support at least in the short term of many people who voted Conservative in the 2019 election. There is an argument over why they have moved, and over what has to be done to win them back.

My advice to the leader is to understand these were Conservative voters. It is unlikely adopting more Labour or Lib Dem policies will win them back. The political market for those who want a faster drive to net zero, who want higher taxes, who want more subsidies and interventions in business, who want rent controls and more migrants, who want to import more and make less here is highly congested. Labour, Lib Dem, SNP, Plaid and others are all jostling to offer a bigger state, more money taken from those who work hard and who save, more directions over how we should travel, what we should eat and how we should pass our time. There is no point in Conservatives trying to compete for that part of the electorate.

There are some Conservative advisers who tell the leadership not to lurch to the right, not to adopt more Conservative policies. It is high time Conservatives moved on from right/left as a method of analysis of politics.

The current divides are not traditional left/right ones. Brexit appealed to people from all shades of political opinion, as the issue was could we make our own laws and set our own budgets or should these be done by Brussels? Wanting to restore more personal freedoms is not right/left. Wanting to take control of our money, our borders and our laws is not right wing, but a passionate wish by people with widely ranging views of how these freedoms should be used.

What Conservatives need to do is to put through policies that are both on the side of greater freedom, and are popular. There is a majority to be had amongst people who want to be left to get on with their own lives, who want to spend their own money in ways of their choosing, and want to keep enough of the proceeds of their work and savings. The five themes of the present PM are fine. The public want success around them. So when will the small boats stop? When will taxes be cut and growth accelerate? When will more capacity be put in to help bring price rises under control?

[Article for Conservative Home on NHS management](#)

There are 36,000 managers in the NHS. They should be asking themselves why the patients are unhappy, struggling to get a GP appointment, and why so many of their staff are unhappy, with thousands on strike. The well paid Chief Executives and senior managers have been largely invisible to the public over the strikes. They have in their rare interviews told us the disputes are between Ministers and Unions. They claim to be neutral.

It is difficult to see how managers can be neutral. They hire and fire the staff. They promote some and not others. They grade the jobs, they award increments and decide how many people to employ. They have big powers over huge budgets. They can make an employee's life better if they handle staff well.

I and others have been urging the NHS to publish a manpower plan. The Opposition has taken up the cry. The NHS needs to reassure patients there will be enough staff to look after them, and reassure staff there will be enough colleagues for the workload. I find it bizarre that they do not have a public plan already and that it has taken so long to prepare one. The main NHS cost is staff.

The NHS top managers also need to tell taxpayers they want to look after them as well. Productivity has been falling in the last three years when record extra sums have been put into NHS budgets. Managers spent a lot of money on Nightingale hospitals which were then little used and closed down whilst non covid waiting lists soared. They spent a lot on taking over private health capacity during the pandemic yet underused the facilities there. Test and

trace costs went very high, with limited positive results. Now the pandemic has subsided clearing the backlogs has been impeded by poor labour relations.

If the senior managers thought the pay review bodies decisions on pay were wrong they should have pressed for an early additional cost of living supplement or override. If they thought the system was still correct they could have given more support to Ministers in making the case, and helped more staff with increments, gradings and promotions. Doctors say a lot of their unease is about work patterns, shifts and availability of support staff. These are matters managers can manage better. They have of course kept the Pay Review body system implying their support for it.

It is not just senior management in the NHS that can help more. There has been a very poor productivity performance in many parts of the public sector at a time of big rises in budgets. There are many examples of public services making choices that annoy many members of the public. In highways Councils have plenty of money to narrow roads, complicate junctions, reduce access for vans and cars, paint more lines and erect more signs. Meanwhile potholes go unattended and bypasses are delayed. In Housing illegal migrants get hotel places as a priority whilst legal residents are on waiting lists for homes for years. The state struggles to carry out Ministerial wishes to end the small boats trade across the Channel.

The public sector performs many administrative tasks. Computing power can assist, streamline and improve much of this. The public sector spends a lot on new computers, so where are the savings from automation? Where are the civil service proposals to simplify, reduce cost and raise quality that the digital revolution allows? What is the future for applying artificial intelligence in everything from health to education, where it could assist valued professionals with diagnosis, prescribing and tutoring?

Ministers have allocated lots of extra money to key services, especially health. They have set out what the public would like to see, including easier access to a GP, shorter waiting times and more hospital beds. It is time we heard from managers about how these services can deliver more and serve the public better. Getting on well with the staff would be a good starting point.

Sent from my iPad

[My Intervention on the Sudan](#) [Ministerial Statement](#)

John Redwood (Wokingham) (Con):

What actions are the UN and neighbouring states taking to make provision for the refugees? Is there an up-to-date statement on how big a problem we think

that is, given the current state?

Mr Mitchell, Minister of State for Development and Africa:

If there is no ceasefire, the problem will be enormous. I can tell my right hon. Friend that the head of the UN Office for the Co-ordination of Humanitarian Affairs, Martin Griffiths, is in the region and is looking at precisely those issues. I will keep my right hon. Friend and the House informed of the answer to that question as it develops.