

## More goods and services help control inflation

The ever growing population of the UK means more to feed and clothe, more utilities needed, more to house and more needing school places and medical care. The UK needs to do more to promote extra capacity to meet these needs.

Instead tax and regulation is getting in the way of producing more. This decade we have lost 700,000 self employed when we need more to set up in business. The government should revert to IR 35 rules used prior to 2017. It should be easier to get started as self employed.

The Treasury should raise the VAT registration threshold from £85,000 to £250,000. Too many small businesses turn down business to avoid the need to register.

The government should remove the 31% hike to corporation tax. If it was really serious about more investment and getting the deficit down it would cut the rate to 15% to attract more large companies.

The government should lift the planned ban on making and selling new diesel and petrol cars in 2030. The ban is putting car companies off investing here.

DEFRA should stop offering grants to farmers to prevent them farming. The money for wilding should be switched to supporting growing food.

The Business Department should suspend the emissions trading and carbon tax system. This is imposing the highest taxes on UK steel, ceramics, glass and other intensive industries of the advanced world. It is leading to closures.

We need to foster enterprise and promote home production. That would bring prices under control.

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## Are the western Central Banks going to make a habit of getting it wrong?

The UK, Euroland and the USA all have "independent" Central Banks, all are charged with keeping inflation around 2% and all presided over inflation surging to around five times target. They all blamed energy prices that were driven up by the Ukraine war, ignoring inflation well above target before the invasion. They do not ask how Chinese inflation stayed around 2% and Japanese around 3% despite importing a lot of energy. Nor do they tell us why inflation has stayed high long after the oil price subsided.

All three printed large sums of money and deliberately paid very high prices for bonds in 2021 during recovery, driving interest rates to very low levels. They stubbornly refuse to even accept the inflation in assets they created let alone the more general inflation these irresponsible policies were bound to cause.

Now they have lurched too far the other way. Cutting the money supply, selling bonds off or accepting maturity repayments at big losses they are trying to bring on downturns. The Bank of England's rate rising announcement of large bond sales undermined the pension fund/LDI market so they temporarily had to reverse the bond sale policy and buy up some more. The Fed has helped undermine some large US regional banks with bond price drops and had to tip an extra \$400 bn of money into markets to stop a wider collapse.

All 3 Banks should invite in some new people and new thinking. They have done damage through inflation and slowdown policies. They need to monitor and understand the path of money and credit growth to avoid these big errors.

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## [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.

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## [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.

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## [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?