

## Drill baby drill

The USA and Saudi Arabia have high GDP per head in part because they are the world's two largest producers of oil and gas. The UK has inflicted harm on itself by running down its North Sea oil and gas fields prematurely, and refusing to explore and produce onshore gas in significant quantities. The main political parties have conspired against the oil and gas industry in the name of net zero. They have failed to grasp that keeping our own gas in the ground means we simply import a lot more in the form of LNG which generates a lot more CO<sub>2</sub> in its production than piped gas from local sources.

If we are serious about growth we need a major reversal of policy. President Trump saved the West worse outcomes by insisting on greatly increasing US output of gas and oil when he was in office. As a result the US could sell plenty more gas into Europe when the Russian invasion of Ukraine led to the cancellation of much Russia supply. President Biden said he would take net zero seriously, but went on adding to the drilling and production licences so US output continued to rise, though at a slower pace. It is part of the reason the US is richer than we are, and helpful to the US now they are pursuing an active policy of onshoring more industrial production.

The quickest way to boost the UK economy is to get rid of the windfall taxes on oil and gas, leaving in place the double corporation tax on profits, grant many more exploration licences and speed up production licences for the established fields. Where there are discovered reserves but no plans to produce government should discuss with the industry what it would take to get it into production.

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## Growth in small business can be helped by tax changes

The UK needs a larger and faster growing self employed and small business sector. I have long campaigned for the end of IR 35 which impedes winning new customers for the self employed. I have championed a higher VAT threshold to allow further expansion before needing to get involved in all the extra electronic paperwork to pay VAT on finished work and reclaim VAT on inputs.

Use of physical property is important for retailers and some service providers. Further cuts in Business rates and further rises in exempt smaller properties would be helpful for those sectors. I do not favour replacing lost Business rates with a new turnover tax on on line activity. That just boosts prices and creates added business complexity. I have set out plenty of ways of the same spending less to be able to reduce taxes modestly.

The entrepreneur does have some options to protect himself from excessive capital gains tax if he is successful. Wealth taxes do put people off coming to the UK to invest, or deter people from taking risks with their money if the government intends to take too big a share of their success. The capital gains tax threshold should be raised considerably from its current very low level. People are now reluctant to sell shares that may underperform or sell a spare holiday or second home they no longer need to avoid the tax. People do not exchange properties for ones that suit them better if there is a CGT liability. As the assets were bought out of taxed income in the first place there is a resentment about double taxation on those savings if a gain is recorded.

Setting up and growing a business is risky and hard work. It is a public spirited thing to do as the rest of us depend on people doing so to supply us with the goods and services we take for granted. A heavy handed taxman makes less attractive and less worthwhile. The taxman says if you fail you fail alone. If you succeed I will be a partner in your success demanding a share of the profits.

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## How do we get faster growth?

The government's aim of getting the UK economy to grow faster than the rest of the G7 is both ambitious and achievable. I will explore in this and later pieces what it will require to bring about. We will need to look at dear energy, difficulties in affording your own home, the disastrous boom bust policy of the Bank of England, the wish to deindustrialise to hit net zero quicker, the public sector productivity collapse and others.

The task is to match or exceed the US rate of growth which has been considerably faster than the UK and the EU this century. The superior US growth rate has greatly benefitted from the supercharged growth of its leading large companies in technology. The UK needs to ask why it has been left behind in the digital revolution, along with the rest of Europe.

The US has nurtured a number of crucial technology companies. Their system of spin out from universities, their tolerance of small business, their venture capital and private equity markets have provided plenty of finance and back up to new idea have all helped. Their wish to run successes and grow them from billion dollar companies to trillion dollar companies has also been crucial, where in the UK a successful entrepreneur may sell out early when he or she has made enough money to cover the needs of the rest of their lives. Government has helped in keeping regulation proportionate and in setting lower tax rates.

The Republic of Ireland has shown how a European country can greatly benefit from US success. By setting its own corporation tax rate at a low level to act as a magnet to the large US digital companies, who have set up and

channelled much of their European business through Ireland. If the UK set its own corporation tax rate at the Irish level it would attract much more of this US investment, given the talent pools and other advantages of the UK

The UK has allowed semiconductor investment to be mainly elsewhere, and allowed bidders to buy up any promising UK company in the area. The government needs to have a targeted strategy to bring more microprocessor manufacture to the UK, just as President Biden has done in the USA through his Chips Act. The UK has plenty of data centre demand for sophisticated chips and needs general microprocessors in a range of items from defence to consumer electronics.

The UK has been too ready to follow the prescriptive regulatory approach of the EU to this important cutting edge sector, leading to tensions with the main US players and diverting innovation and investment away from such heavily regulated area. Most of the crimes we want to avoid through technology from theft and fraud to grooming and planning crimes are already serious criminal offences that can be detected and prosecuted in the usual way. There does not have to be a new range of regulatory and legal offences that overlap or duplicate with the underlying crimes people can use technology to assist.

The UK needs to improve the range of tax incentives for start ups, and create a much more welcoming environment for home grown and US tec businesses.

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## Reform goes all constitutional

I thought it strange Nigel Farage used his Queen's Speech slot to call for a referendum on the European Human Rights Treaty. That makes two referendums Reform now want, one on PR and one on human rights. There is no way a Labour government with such a huge majority will offer either, so Reform is left demanding things the government will never grant and which most people do not see as a priority. Calling for a referendum when there is a popular need is best done in an Election Manifesto as the Conservatives did with the EU referendum which was long overdue.

There is likely to be 4-5 years before a General election. In that time there is scope to forecast what is going to go wrong for Labour and to build up a head of steam for change. I think many people will be livid with Labour if the small boats keep delivering illegal migrants, and if well paid lawyers use International law to block action against illegal migrants. Labour may well be forced to take further action to control our borders.

The obvious answer is the one the last Conservative government turned down. Parliament can and should legislate to put beyond doubt what is required of our Border Force and courts to turn back or return illegals. I supported amendments that would have done it, setting out a sensible way to stop the

illegals in U.K. law and saying that law takes precedence over any international court .There is no need to tear up the whole Treaty which Labour will not do. There is every need to constrain actions of the international court that makes it impossible for legal U.K. authorities to control our borders sensibly.

The next election will not be fought under a system of PR so Opposition parties have to work within the current FPTP system. It produced an unusually unbalanced Parliament last time where it gave Labour a majority out of all proportion to its vote. That should be a rare event and was only possible because both major parties were unpopular at the same time, and both had been following very similar policies. We still have the accountable single member constituencies where once again many have discovered the hard way they do get sacked if they cease to please. The way to get change from here is for Conservative and Reform to oppose intelligently and energetically. That requires understanding the reasons people are so disillusioned with the traditional parties , and offering something better either by their reform or by a new party winning support for a new approach that does reflect public concerns.

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## [The frustrations with modern parties 3](#) [the myth of nationalisation](#)

Labour think nationalisation is a better answer than free enterprise. They are held back from nationalising more by the cost of it. The last Conservative government gave up on making the case for free enterprise and allowed some business to slip back into public ownership. They too went in for back door nationalisation of energy by imposing a network of price controls, windfall taxes and subsidies. Both parties favoured rolling rail nationalisation. Labour nationalised the bulk of the railway when last in government and the Conservatives added some train operating companies as their leases ended. Labour will carry on. Railways are effectively nationalised with government controlling profits, prices, timetables and much else.

Labour will discover all over again that nationalised industries rule governments more than governments run them, There is the doctrine of independent management strangely allied to the reality that when anything goes wrong people and Parliament blame Ministers. Labour inherits a nationalised Post Office that started wrong sending staff to prison on its watch. They now have to find large sums from taxpayers to pay for all the losses and for the compensation owed to staff. Labour will also have to wind down HS 2 as its costs spiral and its ambitions are scaled back because they are ludicrously too dear. Another nationalised industry that devours tax revenue excessively.

What can we expect of Great British Energy? Last year U.K. infrastructure Bank and British Business Bank made losses in the well established nationalised tradition. Why would Great British Energy do anything different? It will be offered the investments the private sector does not rush to buy.