

## Memo to an incoming PM – Growth is what we need

The kind of growth we need is growth in output per head, not more output because we have invited in many more people for lower paid jobs. This will come from improving the atmosphere for people setting up and expanding businesses, and companies making investments into the UK. It means sweeping aside the large hike in Corporation Tax planned for next year. We need a low headline rate by world standards to attract footloose investment and to leave more money for reinvestment for successful companies. The Republic of Ireland gets a bigger contribution to its total revenues by having a lower rate than us and attracting proportionately more investment.

We need a package of measures to help small business and the self employed. We need to end the IR35 pressures against more self employment whilst taking action against six figured salaried people who use a service company to disguise working wholly or mainly for a single employer. We will need more flexible local capacity in many areas which requires a more supportive approach for those venturing on their own.

The UK needs to rebuild its national resilience in a wide range of areas. It is good that it is building on its recent success with vaccine development to encourage a larger pharmaceutical cluster of research and production. We need to exploit more of our own substantial energy reserves at a time of western shortages, and to develop gas as a crucial transition fuel and feedstock. We need more home grown food and more home produced goods.

Controlling inflation requires a better money policy than last year's, and investment in more capacity to ease supply shortages and cut import dependence.

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## Memo to an incoming PM – it's the economy stupid

The main advantage we must bring out of the leadership change is a change of economic policy. The outgoing Chancellor's policy was to correct the inflation monetary policy has brought on by a treble squeeze. He wishes to add tax rises to the current monetary squeeze to the cost of living squeeze. It is time to drop the tax squeeze. This is not something the USA and the Euro area are doing even though they too dropped the ball on money growth and triggered rapid inflations. Japan and China have inflation at 2.5% despite high energy prices, showing monetary policy matters.

The incoming PM will be told by Treasury officials that there is no money to afford tax cuts. They will argue tax rises are needed to bring the deficit down more quickly. They are wrong on both counts. On their own arithmetic there is scope in their figures for budgets to cut taxes, as the faster growth of the economy than they forecast last year delivered a deficit £100 bn lower than forecast. Nor will tax rises necessarily bring down the deficit more or at all. If the tax rises are too steep so they plunge us into recession, spending goes up and tax revenue down leading to a bigger deficit.

The new government should choose tax rates that maximise revenues, which in some cases means lower rates where tax is avoidable. It should act to offset the slowdown in the economy being brought on by the double squeeze, as only with growth will current public spending levels be affordable. Given the silly figures the Treasury uses for debt interest there is on their forecasts a big fall in those over the next two years which gives more room for tax cuts.

The Treasury should also be reminded state borrowing if properly funded is not inflationary. The state either takes money from the private sector as tax to lay its bills or as a long term loan. Either way the private sector has less money to spend and the state more. Printing money as Mr Sunak and the Bank did is usually inflationary. Only when there is huge shock as with first lockdown May it be necessary and not inflationary. A central bank allowing commercial banks to advance too much credit can be inflationary. Central Banks need to set interest rates and required capital ratios to avoid this.

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## [Memo to an incoming PM Help Cabinet government work better](#)

One of the most important things a PM does is choose people for senior Cabinet roles. These choices are best based on talent, energy and understanding of the jobs concerned. Whilst of course the overall balance of the Cabinet has to take into account wings of the party, geographical spread and loyalties these should be secondary issues to the more normal matters in selection that are related to being able to do the job well. Cabinet members do not get a phase in or training period when they first join. They are expected from Day 1 to be able to make decisions, defend their department and show knowledge of their topics regardless of their background and experience.

The PM should have regular review meetings with the senior Cabinet members one to one. These meetings should be to give guidance to a Cabinet member over PM preferences and how the departmental policy and priorities can fit into the general strategy. They are also occasions when the Cabinet member can ask for support and assistance, and the PM can show understanding of a

colleague's plight and mentor where necessary. As there are too many Cabinet positions to report one to one to the PM senior Cabinet members should perform the role for more junior Cabinet members. The Chancellor should guide the Chief Secretary, the Foreign Secretary the Overseas Aid and Trade Ministers etc.

Cross departmental strategies like levelling up or greening government should come to Cabinet for determination. Conflicts between departments over issues should come to cabinet or committee for resolution. A Cabinet member should be held responsible for a policy entirely or mainly within their own department. So the Chancellor should be responsible for tax strategy and the Home Secretary responsible for migration policy. Given the importance of these to government as a whole the PM should keep them under review in the one to ones and they should report to Cabinet regularly as well.

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## [My intervention in the Northern Ireland Protocol Committee \(Day 3\) debate](#)

**Rt Hon Sir John Redwood MP (Wokingham) (Con):** Has the hon. Gentleman or his party ever once lobbied the EU in public or in private to shift its position to accommodate the very reasonable grievances and to deal with its illegalities under the protocol?

**Stephen Doughty, Shadow Minister, Foreign and Commonwealth and International Development:** I do not agree with the last part of what the right hon. Gentleman said, but actually I sat around the table with EU ambassadors and, indeed, the EU ambassador to the UK to discuss these very issues just weeks ago, so I have sat down in private, and we have said so publicly on a number of occasions. The right hon. Gentleman should be reassured on that point.

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## [My interventions in the North Ireland Protocol Committee \(Day 2\) debate](#)

**Rt Hon Sir John Redwood MP (Wokingham) (Con):** Will the Financial Secretary confirm that the Treasury will never use the argument that we must not press ahead with the very necessary VAT cut on energy in the cost of living crisis because we cannot apply it in Northern Ireland? It could

damage GB as well as NI if that argument were used. Will she promise that the Government will energetically pursue complete sovereignty over VAT?

**Lucy Frazer, Financial Secretary to the Treasury:** After this legislation has passed, we will be able to introduce VAT legislation across the UK in the interests of both GB and Northern Ireland. I can assure my right hon. Friend that the Treasury consistently looks at tax policies, including VAT, and the benefits and disbenefits of bringing in changes.

I turn now to amendments 37 and 41 in the name of Mr Lammy. I should note that this issue was addressed in a previous debate, so, in the interests of time, I shall aim to be brief. The amendments would restrict the use of the Bill's powers to only make provision that is "necessary" rather than to make provision that the Minister considers is "appropriate".

As my right hon. and learned Friend the Minister for the Cabinet Office and I have said previously, "necessary" is a very strict legal test. The amendments would therefore remove the policy discretion for the exercise of these powers, potentially limiting Ministers' choice of the right solutions to the problems caused by the protocol. Changing the test to an objective one will provide additional uncertainty to businesses and consumers and it would severely limit the ability to facilitate consistent VAT, excise and other relevant tax policies between Northern Ireland and Great Britain, as well as a domestic subsidy control regime that applies to the whole of the UK.

I want to comment on how that was expressed by the hon. Member for Hove, who suggested that Ministers could make changes on a whim. That is simply not the case and is a misrepresentation of the position that is clearly set out in the legislation. Clause 12(3) clearly states:

"A Minister of the Crown may, by regulations, make any provision which the Minister considers appropriate in connection with any provision".

Therefore, he or she would need to consider those matters very carefully, as Ministers from across the House would do. The amendments might also prohibit the Government from responding in a flexible way to issues facing Northern Ireland. That, in turn, will have a negative impact on Northern Irish businesses and individuals, so I ask the hon. Gentleman to withdraw his amendment.

Many hon. Members discussed the negotiations, and I hope that I have answered those points in my response to the intervention from Stephen Farry, The hon. Member for Hove talked about the single electricity market. The right thing to do is not to impact the single electricity market. As the Foreign Secretary has said, we want to cement the provisions in the protocol that are working, including the single electricity market. That is why this Bill does not seek to exclude article 9 or annex 4, which maintain the single electricity market. The Government are committed to preserving it and the benefits that it provides to UK citizens in Northern Ireland.

For those reasons, taken together, these clauses will ensure that the Government can set UK-wide policies on subsidy control and VAT, ensuring that

those in Northern Ireland can benefit from the same level of support as those in the rest of the United Kingdom.