

[We need an economic policy based on promoting growth and limiting inflation](#)

Yesterday in the Commons I set out how we need a new economic strategy for the UK. The framework the government has developed since Brexit is a reheated version of Maastricht austerity, based on a 3% limit on the annual deficit and the need to cut debt as a percentage of GDP. Meanwhile we have an inflation surge thanks to the Bank of England printing extra money for too long a time period after the initial lockdown and a very weak balance of payments thanks to a range of policies designed to stop us making and growing things in the UK in ways which boost imports. I reproduce below my speech:

[Has the Government met its 2019 manifesto commitments? Here's my assessment on where we are at.](#)

Please see below my article published at Conservative Home:

Manifestos matter. They are the way for an incoming government to set a direction for the country and to provide a work plan for the civil service to implement.

In 2019 the Conservatives put forward a strong positive manifesto to the public. Its key messages helped the party win its first substantial majority since 1987. The main pledges were getting Brexit done, not raising the three main taxes, reducing immigration and boosting money and personnel in the NHS, the police and schools. There was also a commitment to net zero by 2050 without a detailed road map for the first few years of that long journey.

The Government will comfortably exceed its money pledges to the three main public services singled out for front page promises. I would expect it to hit its recruitment targets for more nurses, doctors, police and teachers over the Parliament. Fifty million more GP appointments should be achievable, maybe with a different balance between face-to-face and remote exchanges. So far so good.

Net zero will be more than honoured by a wide range of initiatives already taken. The danger is in going too far beyond other countries efforts with measures that have serious costs. Making and growing less ourselves to cut carbon dioxide, only to import from big fossil fuel users, is a loss for us

and no win for the planet.

More difficulties surround the related issues of getting Brexit done, cutting low and no skilled migration and keeping taxes down. The idea behind these policies is to expand national wealth and income, to promote more prosperity for more people, and to level up the lower income areas and groups.

The policies were right in 2019 and remain right today. The optimistic spirit of the manifesto was its prime attraction. The idea was to boost people's real incomes through more and better paid work. As the document stated there is "only one way to pay for world class healthcare and outstanding infrastructure and that is to foster and encourage the millions of British businesses large and small that create the wealth of the nation". Levelling up is above all about individual personal journeys into better and more skilled jobs, into self employment and into ownership of homes and businesses.

Taxes worry people. High tax rates can kill confidence, drive business and investment out of the country and stifle entrepreneurs. The tax rate that collects the highest amount of tax is not the highest tax rate. Politicians who promise lower taxes and then put them up usually come unstuck with the electorate.

The 1974-9 Labour government presided over a nasty recession, raised taxes substantially and suffered a big defeat in 1979. The John Major government stood accused of putting up many taxes by the time of the 1997 election. It was defeated by its own backbenchers over a very unpopular attempt to hike VAT on fuel. The higher taxes contributed to the massive defeat in the general election as the outward reminder of the big Exchange Rate Mechanism recession the government had imposed.

The Labour government in 2010 was crushed by the great banking crash recession it helped bring about. The increases in income tax and fuel duty in its last budget underwrote the unpopularity. The first George Bush was a one term president because he was unable to keep his promise of no new taxes, the best thing he said in the election.

Fortunately this government has recovered the economy quickly from the sharp and sudden economic collapse brought on by anti-pandemic policies. The public is likely to be more understanding of this setback than they were of the big recessions that overwhelmed previous governments. The public will be less understanding if the Government presses on with its increase in National Insurance at a time of squeezed real incomes. It would be bad economics, as the Government needs to promote a further recovery. It is worse politics, taxing jobs and breaking a promise. The Government should drop the idea before it hits wage packets in April.

The Government also needs to redouble efforts to fulfil its promise over immigration. It said Brexit would allow real control over who comes into the country. It promised "We will not allow serious criminals into the country. If people abuse our hospitality we will remove them as quickly as possible". The UK can now legislate as it wishes to exercise the controls it wants at

the borders. The current Bill going through the Commons needs to be fit for purpose to deliver. Only a sharp drop off in illegal migration and in total numbers will now reassure people.

The manifesto showed concern for people's fuel bills and promised "new measures to lower (energy) bills". Instead the Government is presiding over a worrying energy shortage. We rely too much on imports, exposing us to the expensive vagaries of European markets during an acute European energy shortage. The manifesto promised the North Sea oil and gas industry "a long future ahead" before getting to net zero, yet the Government is currently blocking a number of important new gas and oil developments that could ease the supply squeeze. Once again we need to ask why we stop our industry to cut carbon only to import fossil fuels from elsewhere generating extra CO2 to transport them.

The manifesto promised that the whole of the UK would leave the UK together. We were reassured that Northern Ireland with the rest of the UK "would maintain and strengthen the integrity and smooth operation of our internal market". Work to do there then. The Government needs to remove obstacles to goods moving from GB to Northern Ireland where they are certified as being for UK consumption.

This may require UK legislation to reinforce the message to our officials. It is fully compliant with any reasonable interpretation of the Northern Ireland protocol, which can anyway be suspended if there is diversion of trade. The protocol expresses respect for the UK internal market and is meant to be compatible with other Northern Ireland Agreements that respect the place of NI in the UK. The promise to end the jurisdiction of the European Court over the UK must be carried through.

There are enough potential wins from the freedoms Brexit brings us to be the topic of another article. The manifesto holds out the realistic expectation that government will use its creativity and power to promote a more prosperous UK forged from that independence.

There needs to be more effort to implement that great vision. Success will come if the Government cuts taxes rather than raising them and if it promotes UK production rather than importing more. It needs to concentrate on helping people achieve their aims of better paid and more skilled employment and to do more to create a great environment for setting up and growing a business.

[The Chancellor's popularity](#)

In the early days of the pandemic the Chancellor saw the need for a massive fiscal and monetary boost to offset the worst features of the draconian lockdown imposed. I supported him and these policies, urging additional help for some small businesses and self employed.

As the vaccines and treatments became available the Chancellor spoke up for fewer restrictions to get more people back to work more quickly. Again I supported him. We did need to do that, as the huge support was not affordable indefinitely.

At this point the Chancellor was the most popular Minister in the government. We were all impressed by the bold responses to a dire economic situation forced upon him by a national emergency he could not control.

Then all went wrong. The Chancellor accepted the self defeating Maastricht austerity policies dictated by the EU rules on debts and deficits. He compounded the error by thinking a huge tax rise in April 2022 before the economy had made sensible gains above the 2019 level would cut the deficit. They will slow growth, deter investment and cut confidence. This will reduce revenues from taxes generally.

It is no wonder his popularity has tumbled. If he does not change tack soon he will find out what it is like to be really unpopular come April. With higher tax rates imposed economic performance will deteriorate and he will not have good options if he sticks with his austerity mantra.

[The Telegraph offers some strong advice](#)

Time was when the Daily Telegraph was a loyal supporter of the Prime Minister. It often reflected his views. It had been his generous and tolerant employer for many years.

Yesterday the paper was brilliant. It urged him to follow up on his decision not to lock England down for Christmas and the New Year, but to get everyone back to work. We need to live with the virus and curb it with vaccines, treatments and individual judgements of risk.

It ran the need to abate the cost of living crisis. It proposed cutting the tax burden. It highlighted the dangers of the Chancellor's high tax policies. It backed removing the National Insurance rise and challenged the Treasury removing our investment advantage of having relatively low Corporation Tax.

It warned of the energy crisis and ran an article proposing producing more of our own U.K. oil and gas.

I urge the PM to read this and to reflect on it. It comes from a friendly institution that wishes him well.

Let me add an appeal to the forces in government that are holding him back from these better policies. They usually want to keep us close to EU rules

and thinking. So let us copy the EU's latest policy of designating gas as a green fuel and procuring more of it. We have the added advantage we can produce our own.

They also like us to cosy up to Democrat Presidents in the USA. We should copy Joe Biden in licensing more exploration, development and production of gas.

A test for the Foreign Secretary

I wish the Foreign Secretary well in her new role sorting out the Northern Ireland Protocol.

It is important she stands up to the EU. She needs to rub out the wrong statement by the Secretary of State for Northern Ireland that the U.K. might need to break international law in a limited way. She needs to insist on reversing the diversion of trade from GB/NI in accordance with the Protocol and insist on upholding the Protocol's affirmation of the importance and integrity of the U.K. internal market.

This is a much easier negotiation to win than the one Margaret Thatcher won when she secured a large U.K. rebate on EU contributions with no real leverage. There is plenty of leverage here, as we can simply impose a fair solution as NI is part of the U.K. and under the U.K. Parliament and government's control now we have left the EU. She must enforce the Manifesto promise to end ECJ jurisdiction over any part of the U.K.