

## **This is no deal – this is just a very bad Withdrawal Agreement to make us pay and bind us in**

So the Cabinet took much longer to discuss the deal than the PM wanted. The news conference was cancelled and the statement at 5pm happened more than two hours late. The awaiting EU Ambassadors in Brussels lined up to welcome the Cabinet decision were stood down. Maybe a dozen Cabinet members expressed grave misgivings about the deal and whether it could be sold to Parliament and the public. The Prime Minister had to say it was the collective view of Cabinet to press on, unable to say it was the unanimous or united view.

The Parliamentary arithmetic is clear. The Withdrawal Agreement could only pass into law if Labour wish that to happen. If they oppose as they say they will, there will be the DUP, and around 100 Conservative MPs unlikely to vote for it. Of the Conservatives 51 are Eurosceptics who have made public promises to oppose against a 3 line whip, and around 12 Remain Conservatives also likely to be against. Labour has said it does see it as a good deal worthy of support.

The legal position is also clear. A motion of the House could not strike down legislation. Parliament has already legislated to leave on 29 March 2019. It would require new legislation to amend and repeal the EU Withdrawal Notification Act and the EU Withdrawal Act to stop us leaving next March.

There are four main arguments against the Withdrawal Agreement. It is far too dear, buying us nothing for the money. It binds us back into the customs union and single market we promised to leave, with no guarantee we can get out again. It damages the Union by treating Northern Ireland differently, leading to demands for Scotland also to have different treatment. It stops us negotiating new trade treaties with the rest of the world. I will comment in more detail on the text in due course when we have completed analysis of it, but the main outlines of the so called deal are clear. This is not a deal – it is a Withdrawal Agreement which keeps us in and costs us a fortune.

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## **German GDP falls in 3rd quarter**

Whilst UK Gdp rose by 0.6% in Q3, it fell in Germany by 0.2%. I don't expect the BBC to say that's because of Brexit, though they would have done if it had been the other way round!

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## Planting trees for Wokingham

Last Friday I was pleased to be able to plant three trees at Dinton Pastures. It was part of the Queen's Commonwealth Canopy, a network of forest initiatives nationwide and around the Commonwealth. The aim is to highlight the value of trees and forests and to plant some more. It was promoted by the Woodland Trust, Sainsburys and ITV. With the help of David Lee and two staff members from Dinton Pastures, I was given a site for the new trees to go. One of the great joys of our local environment are the areas of trees that survive from the forest origins of our landscape. I planted a birch, a rowan and a hazel.

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## My contribution to the Second Reading of the Finance Bill, 12 November 2018

**John Redwood (Wokingham) (Con):** I have declared my business interests in the Register of Members' Financial Interests.

In the third quarter of this year, the United Kingdom economy grew considerably faster than the euroland economy, which is very welcome. It is a timely reminder that since 2010, under first the coalition and then the Conservative Governments, we have seen conditions created in which there has been rapid jobs growth, a general expansion and improvement in profitability and investment, and some return to the better growth rates we saw before the crash at the end of the last decade.

We also see, however, that in the third quarter the United States economy grew considerably faster than the United Kingdom economy, and the reason is simple. The US has decided on a bold tax reform and reduction programme, which has injected a large amount of extra money into the economy, allowing families and individuals to spend more of their own money without having to give so much to the state, and allowing companies to keep more of their profits. As a result, more American corporations have repatriated their profits to the US, where they then pay the reduced tax rates and either invest that money, give wage rises or better remunerate their shareholders to encourage yet more investment. That model is clearly working. The tax reductions are the main reason the US has experienced much better growth this year than either the EU or the UK.

The Government should not be complacent. While we have so far had a long-lasting and moderate-paced recovery, which is welcome, and a very good jobs

recovery, which is extremely welcome, although it gets little credit from the Opposition, policy now is too restrictive. We have an exceptionally tight monetary policy—the tightest of anywhere in the advanced world. We have had two interest rate rises; the ending of all new quantitative easing; the removal of all special facilities from the Bank of England to the clearing banks to lend more money for enterprise and good purposes; much stricter rules to commercial banks that have been very effective in leading to big reductions in new car loans and mortgages for the higher-priced properties; and of course the attack on the buy-to-let sector in the 2016 Budget. This is quite a big monetary tightening.

At the same time, there is still a tough fiscal tightening. What worries me—and clearly the Chancellor, too, given some of the actions in the Budget—is that the fiscal tightening was even tighter this year than was planned. Between the March figures and those in this Budget, an extra £12 billion was taken out of the economy and put into the public sector, mainly through extra tax revenues, but also a bit through the shortfall in the planned spending increases. That is quite a severe extra negative adjustment to impose on an economy that we are already trying to throttle with a very tight monetary policy. I fear that the relatively good growth figures of the third quarter will be slowed by these twin actions.

Now let me praise the Chancellor. He is absolutely right to say that the fiscal squeeze was getting too tight and to take action to try to relax the involuntary fiscal squeeze next year, but he is not doing anything much this year. I would like to see something over the winter as well, because the involuntary tightening is unreasonable. That said, the measures he has introduced to relax the fiscal position a bit are very welcome. With my colleagues on these Benches, I strongly welcome the early fulfilment of the promise on tax thresholds. It was a bold promise, and it is good to see it met, as it is a good way of allowing many more hard-working individuals and families to keep more of the money they earn.

**Julian Knight (Solihull) (Con):** Does my right hon. Friend also recognise that the idea that people on the higher rate of tax are somehow storing their money away in the Cayman Islands is an absolute nonsense. These are hard-working people—often people such as locum GPs and deputy headmasters. Normal working people are being caught in this tax trap.

**John Redwood:** That is right. Many people who have been relatively successful and got to more senior positions are now being caught by quite penal taxes. I would like to see, in either this or a future Budget, more progressive work done to cut the tax rates to raise more revenue. That has come out very well so far on the Government Benches. We all strongly support what the Government have done on corporation tax rates, which have come down a long way and are coming down further. That boldness has been rewarded with a 50% increase in revenue—an increase that the Opposition do not want. They want to put the rate back up to avoid that increase in revenue. [Interruption.] They nod and say it would not happen, but it does happen. It happens every time they get into office: they put the rates up, tax revenue falls, and we have to come in and lower rates again, but we also have the problem of dealing with the extra borrowing.

**Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op):** I cannot wait until half-past nine when I get to wind up the debate. I say again: causation and correlation are not the same thing. Every independent assessment of what has happened to corporation tax over the last few years, such as that by the Institute for Fiscal Studies, very clearly shows that the reductions in corporation tax have been very expensive and cost this country a great deal of revenue.

**John Redwood:** We disagree.

Let us take another tax where very clearly a lower rate has produced a lot more revenue: the higher rate of income tax. Labour wisely kept the highest rate of income tax at 40% throughout most of its time in government, knowing it was the way to attract people with money into the country, to attract investors and entrepreneurs, and to encourage people to take more risks. It set a more penal rate just as it left office, as a kind of tax trap for the Conservatives. When the Conservative Chancellor eventually summoned up the courage to lower the rate from 50% to 45%, there was a big surge in revenue.

As one of my colleagues has already pointed out, there was an even bigger surge in revenue when a previous Conservative Government cut the rate from 80% in two stages to 40%. The amount of tax went up in cash terms and in real terms, and the amount of tax paid as a proportion of the total by those on the top rate went up. It was a win, win, win. I would urge the Chancellor to reconsider reducing it back down to 40% because he would collect more revenue and provide that stimulus to enterprise.

I hope that the Government will think again about a couple of tax rises that have been deeply damaging to our economy. The first is the rise in car tax, or vehicle excise duty. The graph showing car sales and output in the UK was increasing progressively between the Brexit vote and the spring Budget of 2017, but it then fell very sharply, and we now have a serious problem. The tax attack on diesel cars, allied to the threat of more controls on diesels, has been particularly damaging. Governments of both persuasions have gone out of their way to attract a lot of inward investment, and new investment, in diesel output and diesel vehicles. They encouraged that, only then to kick the props away and make such investment very difficult.

**Julian Knight:** Germany has started to row back and introduce "clean diesel".

**John Redwood:** Indeed. Modern diesel engines are much cleaner, and are comparable to petrol engines. The Government have damaged our industry needlessly, and that, along with the squeeze on car loans, has led to a sharp drop in car output, which is not welcome.

The other issue is stamp duty. The Government have cut it for many people, which is extremely welcome, and I am pleased that they are continuing the trend so that houses can become more affordable for those who do not own them. However, we need to think about people who are trying to buy a different house, perhaps to move up the property ladder in expensive parts of the country; we need to think about the impact of transactions at the dearer end on chains and on people buying cheaper houses; and we need to think about

the workloads of removal firms, estate agents, decorators and so forth.

I think that the Government have overdone the tax attack at the top. The market has become ossified, and they must be losing quite a lot of revenue. As the Red Book shows, they are having to scale back the stamp duty revenue forecast, and I am sure that that is to do with the damage that the tax attack has done in relation to the more expensive properties.

**Bob Stewart (Beckenham) (Con):** Personally, I consider stamp duty to be daylight robbery. The Government do nothing for it; they just take money from people who are trying to get a home.

**John Redwood:** I agree. I do not think we will reach the happy position that my hon. Friend and I would like to see, with no stamp duty at all, but I think we could make a great deal of progress by introducing a more realistic stamp duty rate so that people could fulfil their dream of moving up in the world on the housing ladder, or go the other way and buy a smaller home or one in a cheaper location. At present, those penal stamp duties are getting in the way of all kinds of mobility and the fulfilment of aspiration. Surely we should be helping people to fulfil their aspirations, and the wish to live in the right home in the right place is an important part of that.

I strongly welcome the relaxation of austerity in the public sector. We did need more money for health services—I certainly needed it for the hospitals and surgeries in my part of the world—and for social care. More needs to be done, but there has been a bit of progress. I also strongly welcome the extra money for road improvement and maintenance, although, again, more needs to be done.

**Karen Lee (Lincoln) (Lab):** The right hon. Gentleman has referred to “the right home in the right place”. Does he not agree that some people would be grateful for any home?

**John Redwood:** We want more housing for more people. There are people who need homes, and I am very much in favour of helping to provide them. The Government have many programmes relating to house building and more affordable housing, and that is all very welcome.

However, we need to continue the progress. We need to look at the defence budget, the social care budget, and the schools budget. Certainly, in both the West Berkshire Council and the Wokingham Borough Council areas—parts of which are in my constituency—we need more for our local schools. They are at the back of the queue for funds nationally, and the amounts that we are receiving are simply not enough to sustain the quality of service that we need to supply.

There is one big issue overhanging this debate that few people ever seem to mention. I would like us to have access to the £39 billion that some people want to spend on the European Union withdrawal agreement. We do not owe that money, and I do not think we will get anything out of a 21-month additional period for an argument with the EU about the future relationship. If we cannot secure a good future relationship by March, I do not think it will be

easier to do so once we have given all the money away, and signed and sealed a deal on it.

I urge the Government to regard the £39 billion as something that we Leave voters voted to take back control over, and to spend on our priorities. What a transformation we would see both in our public services and our economy if, instead of signing that money away in a withdrawal agreement in the naive hope that it will produce something better—which it will not—we spent it on our priorities. We could have tax cuts with a tax cost, not just tax cuts to raise more revenue in the instances that I have described; and we could have quite a lot of extra money for our schools, hospitals and defence, and our other priorities, much more quickly. We know we have access to that £39 billion over a two to three-year period, because we know the Chancellor has costed it all and made provision for it. Most of it would be spent during the period, which, over that time, would provide a 2% boost for our GDP. That would be an extremely welcome addition, and it would be rather like what the United States of America is trying to do through easier monetary and fiscal policies than those that we are following.

I want a true end to austerity. I am with the Prime Minister in saying that we must end austerity, because ending it means more money for our schools, hospitals and other priorities. As I have explained, we can afford that, if only we do not keep on giving all this money to rich countries that do not want a free trade agreement with us. However, I also want to end austerity for all the people who work in the private sector, and that is about more tax cuts.

So, Government, well done so far; but be bolder, show more courage, and then you will create a much more prosperous country.

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## **The government must not sign this draft Withdrawal Agreement**

This is a bad deal. The government should drop it now. Parliament is unlikely to pass the necessary legislation for it. I will vote against were they to try. If we cant get a good future partnership before we pay them any extra money, why would we get one once we have signed away the cash?