

Productivity

Productivity is an ugly sounding word from economics. Some are worried by it as they fear it means job losses, restructurings, making people work harder. Curiously enough it is a word which apparently unites the warring political parties. They all claim to want higher productivity. Some even understand that increased productivity is the key to higher real pay and better living standards. If business can produce more with less, prices can be lower or specifications and quality higher, and we can afford to buy more or better.

Agreeing to support the general cause is as good as it gets. As we discovered again on Tuesday in the Finance Bill debate, productivity is also a word which divides, as different parties have different views of what you need to do to raise productivity, and where you might apply the policy.

I detected once again a distinct unease by Labour to discuss public sector productivity, for example. This is odd, given that Ministers- and indirectly MPs – have much more influence over how the public sector is financed and managed than we do over the private sector. I pointed out that during the long Labour years 1997-2010 there were no overall productivity gains in the main public services, at a time when private sector productivity was advancing moderately every year. It would be good to know from them why that was, and what they learned from the experience of presiding over a large sector with no clear gains.

The public sector has struggled with the digital revolution more than the private. The application of computer technology and robotics to business is transforming many areas of our lives. The UK public sector still does not have proper computerised records and controls in the NHS, tax has not yet gone fully digital and robotics are not much deployed.

The public sector has had access to substantial sums of capital to transform the way it does things, but has also had a disappointing record at implementing change through large computer programmes.

Pound hits \$1.36 -because of Brexit?

Today the pound got back to \$1.36, a fraction off the pre referendum low earlier in 2016.

This follows hints that the Bank might put interest rates back up to 0.5% where they were before the vote. Given the wish to blame everything on Brexit maybe we should say thanks to Brexit the pound has soared in recent weeks.

Visit to Arborfield Mill Weir by pass project

I went to see the works that have been carried out by the Loddon adjacent to the A 327 on the edge of Arborfield to the west.

I was told that the idea of the scheme is to assist fish and wildlife and to reduce the risk of flooding to the A 327.

I welcome any scheme that does reduce flood risk, and look forward to seeing the results.

Where is Overseas Aid when you need it?

The decision of the UK to guarantee it would spend 0.7% of its National Income every year on Overseas Aid has been contentious. Some dislike the idea of committing to spend without assessing need and capacity to spend wisely. Some dislike the way the UK is one of the few countries to honour this international obligation whilst rich countries like Germany (0.5%), Italy (0.2%) and France (0.37%) do not bother. Some just think we have more pressing priorities at home and should confine overseas aid spending to crises and humanitarian disasters.

Most people in the UK probably agree with the government -as I do – that the UK should send immediate relief to British territories in the Caribbean to provide food, shelter, clothing, and medical assistance to those caught up in the disaster. Most probably also think the UK should help those countries rebuild their shattered towns and homes by offering practical and financial help. Surely this would be a cause for overseas aid that would unite more people than it would divide? What better use of part of our large overseas aid budget?

However, the spending of overseas aid is subject to rules and guidance from an international body. Apparently the Caribbean islands concerned did not have a low enough national income when the hurricane struck to qualify for overseas aid. I fear the hurricane has taken care of this in the short term, but international accounting definitions and data seem to be getting in the way of commonsense. I hope our Overseas Aid Secretary gets them to think again. I would like us to be generous to help these islands, and think it

should be paid for out of our substantial Overseas Aid budget.

I expect the government to lobby for a change of definitions. As one of the few countries that hits the international target we should have some leverage on this matter.

While we are about it, they also need to review definitions of which military expenditure counts as Overseas Aid. When we commit our forces to peace keeping or peace making in a civil war torn country, that too should count. Peace keeping is often a crucial step to restoring or creating prosperity in a poor country. Without a peace businesses cannot flourish and people find it difficult to go about earning their living.

Mr Redwood's contribution to the debate on the Finance Bill, 12 September 2017

John Redwood (Wokingham) (Con): I felt for the shadow Minister's being asked to speak in this debate after many hours of toiling away on a different subject yesterday. He obviously struggled, because he produced his notes for yesterday's debate and gave us 10 minutes or so as if we were still debating ministerial powers and Parliament's right to control all secondary regulations. Just to clarify the point that I made to him, and which he tried to muddle: everything is a parliamentary process when it comes to legislating by statutory instrument, because those statutory instruments that are tabled for negative resolution—meaning that they would not normally get a debate or a vote—are an invitation to the Opposition. It is their job to go through them all and decide whether Ministers have made any mistakes, and therefore whether those instruments should be brought before the House for debate and a vote. They are all debateable and voteable if the Opposition do their job, but it is clear that this Opposition do not want to do their job; they want to make synthetic points instead.

Thanks to your excellent guidance, Madam Deputy Speaker, the shadow Minister did come to understand that this is the debate on the Finance Bill. We then moved to the interesting issue of the student debts. A number of my right hon. and hon. Friends quite rightly wanted clarification on whether, were we to accept Labour's advice, we would need to find provision in the Bill to retire £100 billion of student debt. The poor shadow Minister found that even more difficult than working out which debate he was in. I am sure he knows full well that before the election the Leader of the Opposition made a statement on student debt that was interpreted by two shadow Ministers as categorically offering the end of student debt for all those who have incurred it. Now, after the election, we are told that the Leader of the

Opposition did not mean that, although he failed to clarify it at the time.

Michael Tomlinson (Mid Dorset & North Poole) (Con): The Leader of the Opposition's precise words were: "I will deal with it."

Those were his words. The hon. Member for Ilford North (Wes Streeting) wandered into the Chamber, made an intervention and has now left. He should have stayed to hear this. His leader said that he would deal with it and has now gone back on that.

John Redwood: My hon. Friend is much tougher than I am and has made it clear that the Leader of the Opposition misled the electors; I was being a little kinder. The right hon. Gentleman used tricky language, in some ways, but his shadow spokesman did not. More importantly, millions of voters out there heard what my hon. Friend described, believed that Labour was making an honourable offer to get rid of all student debt and voted accordingly. They are now told that they were conned, let down and completely misled.

Ruth George (High Peak) (Lab): Had the Treasury team shown the House some respect by publishing the Bill and the explanatory notes in time for us to read them and properly give the matter some scrutiny, Members from all parties, but particularly Conservative Members, might not have had to concentrate on old arguments about Labour from the election that have since been cleared up, and might instead have been able to look at the matter we are meant to be debating.

John Redwood: We think that this is a debate about the Finance Bill, and about how much money we raise and how we raise it. A very important question to consider when deciding how much money we raise is how much we need to spend.

We are debating, in part, a very important promise that was made by the Opposition party. My electors—and many other Members' electors—thought that that party would want to sustain it and come up with ideas about how to raise the odd £100 billion, but we now discover that that promise was not meant to be for any time other than the election and that it has now reneged on it. That is exactly what the people outside this House want to hear about. They want us to be topical and relevant to their lives. Very technical matters that deal with certain kinds of tax abuse are all very important to a limited number of people and in the interests of fairness, but what matters out there, and what should go back from this debate today, is this: does the principal party of opposition have any principles, or did it merely offer to cancel student debt before an election knowing full well that we cannot raise in this Finance Bill, or any other, £100 billion to deal with it?

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): Given that Conservative MPs want to spend a considerable amount of time on this matter—indeed, they appear to have decided to filibuster their own Finance Bill—and given that the quote from the Leader of the Opposition has been used, let me finish that quote, word for word. He said:

"I don't have the simple answer for it at this stage—I don't think anybody

would expect me to, because this election was called unexpectedly. We have had two weeks to prepare all of this, but I am well aware of the problem.”

That is the quote.

John Redwood: I am very grateful for that clarification. I think that we can rest our case. It seems very clear that an impression was given. This is relevant because the Opposition now have the opportunity to tell us how they would raise £100 billion. I will let them into a secret: if there was an easy way to cancel everybody’s student debt, I would be delighted, because it would make us extremely popular. Clearly, it made Labour very popular before the election. I am not persuaded that there is a simple way of raising £100 billion, which is why it would be interesting to hear in this debate whether there is something that we have missed.

The hon. Member for High Peak (Ruth George) chided me for not debating what is in the Bill, and said that she did not have time to read it all. That is very odd, because I seem to remember that this Budget was delivered weeks and weeks ago—before the general election. She has had plenty of time to study the Bill and to come up with some principles that the rest of us here could debate today. I wish now to move on to some of the actual measures that the Government are recommending, but, first, I give way.

Rachel Maclean (Redditch) (Con): I thank my right hon. Friend for giving way. He is making an extremely powerful speech. It is relevant, because the shadow Minister mentioned that the deficit was going up under this Government. Will the hon. Gentleman be straight with the country about how much he would add to the deficit if his party were to make good on that pledge on the £100 billion of student debt? Otherwise, he is letting down the young people who voted for him and betraying them cruelly.

John Redwood: Let us move on. Let me summarise the situation by saying that what we have learned today is that the Opposition have no intention of honouring what we thought was a pledge and what they say was not a pledge. Labour does not want to retire the student debt. It does not have a clue how to do it, and it even admits that £100 billion is too big a sum to raise in this Finance Bill to honour that pledge.

Philip Davies (Shipley) (Con): My right hon. Friend is being a bit unkind to the Labour Opposition, because they have given us some indication of how they would go about raising the money that they need for their fantasy policies. They have told us that they would adopt the policies that were used in Venezuela. Was my right hon. Friend as surprised as I was when the shadow Minister mentioned how appalled he was at the rate of inflation, given that he wants to adopt the policies of Venezuela? Perhaps my right hon. Friend can tell us what those policies led to in Venezuela.

John Redwood: I have written and spoken about that in other contexts. I fear that I might be straying a bit far from the strict words of the Finance Bill, but my hon. Friend tempts me. I do remember that the leadership of the Labour party was full of praise for the two last leaders of Venezuela, but we now know that that very expensive experiment has ended in terrible tears with a

lot of civil dispute, an inability to buy simple foods in shops, complete chaos in getting in basic supplies, a country near bankruptcy, having run out of foreign exchange, and a country that cannot even run its own oil resources properly because it does not know how to invest, to balance its budget and to run finance prudently. It is very sad that the Labour party backed this particular wrong horse. It is even more bizarre that it will not now distance itself from it and admit that the experiment failed badly. However, it does tell us something very interesting.

When the Venezuela experiment began, it was great. The Government gave more money to the poor, which was extremely popular. In the first instance, the policy just about worked—people had a bit more money to spend—but shortly the Government ran out of other people's money to spend and they ran out of borrowing capability. Instead of helping the poor, they crushed the poor. Instead of making a prosperous economy, they bombed the economy and they are now all much worse off as a result of their policy of generosity.

I am grateful that the Government understand that we need to have a prosperous and growing economy and to run our finances sensibly in order to pay for the attractive programmes for better public services and to create less inequality of income by giving more money to those who, through misfortune or for other reasons, cannot earn as much as others.

Lucy Frazer (South East Cambridgeshire) (Con): One matter that is in the Finance Bill is in relation to tax avoidance and tax evasion. Does my right hon. Friend remember that the Labour Government committed to recover £8 billion that had been lost through tax avoidance, and that the Institute for Fiscal Studies said that they would not recover even half that sum?

John Redwood: I do remember that. We also have the respective abilities in Government, and we see that this Government have been rather more successful at clamping down on tax loopholes that Parliament has thought unacceptable and that, in turn, has generated more revenue.

Very important to this Government's strategy is the principle that, yes, we have to tax rich companies and rich people because they have the money, but that there is not enough money if we just tax the very rich. We must tax people who are comfortably off as well. There is also an understanding that, if we try to over-tax the very rich, we would end up getting less money, not more money, because the very rich have privileges and freedoms that the rest of us do not have. They have good lawyers, good accountants, and addresses in other countries. They can shift their businesses around, invest somewhere else, decide to spend their money somewhere else and go and live in a home in another country, which the rest of us are not able to do. Therefore, it is very important that the Government monitor the situation extremely carefully. For example, when the Government are taxing non-doms—they have got £9 billion in tax from non-doms, which is an extremely important contribution to our public services—they should be careful that they do not overdo it, because it would be quite easy to flip the thing.

I am not a particular friend of the non-doms. I have certainly never had the advantage of all these offshore facilities. I have always had a salary in

Britain and paid PAYE like everybody else. Everything that I have had has had to go through the tax books quite properly, so I do not speak from any personal experience. However, what I do know is that I would rather live in a country that was tolerant of people who have riches and enterprise and who want to invest here than in a country that was completely intolerant. I would also rather that the non-doms paid some of our taxes for us than live in a country where the rest of us had to pay all the taxes because we had driven all the non-doms away.

So far, the Government have charted a sensible course, but I hope that they will watch the situation very carefully. I hope also that those in the Labour party who are serious about government and want to learn a bit more about how successful Governments, past and future, operate might learn from the corporation tax proposals in this and related Finance Bills. Interestingly, during the time when the Government have taken the corporation tax down from a 28% rate to 19%, they have massively increased the amount of revenue that companies pay. One problem with the Labour proposals before the last election was that Labour recommended a lot of spending that was not going to be financed by tax at all. It also recommended quite a lot of spending that it said would be financed by tax. One of its biggest alleged increases was from raising the corporation tax rate. If we tried that, we might find that we raised less money from corporations, drove marginal businesses away from our country and enabled clever accountants and lawyers in large corporations legitimately to base activities and profits in other countries, because they would no longer find our tax rates so acceptable.

Alex Norris (Nottingham North) (Lab/Co-op): Given that the only numbers in the Conservative manifesto were the page numbers, does the right hon. Gentleman understand why Labour Members are slightly concerned that, despite what he says, the numbers in the Finance Bill do not add up?

John Redwood: No, I do not share that view and I do not think that was a very effective point. There was quite a lot in the Conservative manifesto. Indeed, there were some things in the Conservative manifesto that the Conservatives were rather surprised about, and we have been having friendly family conversations about them ever since. I am sure that my hon. and right hon. Friends will discern that there are some better parts of the manifesto which we are most keen to get on with. However, we certainly did not just have a manifesto of page numbers, as I am sure the hon. Member for Nottingham North (Alex Norris) will remember. The smile on his face tells me that he enjoyed some parts of the Conservative manifesto as well. We are all very pleased about that, even though he was probably amused by different parts of that particular publication from the ones that I was amused by and pleased about. We wish to see a policy that promotes enterprise and growth. That means taxing people in companies with the money fairly and sensibly, but also setting internationally competitive tax rates that they will stay to pay and ensuring that the country is an attractive place in which people want to do business, invest and employ.

Simon Hoare (North Dorset) (Con): My right hon. Friend is talking about practical application, rather than merely theory. When President Hollande took office in France, he hiked the French tax system in order to squeeze the

rich until the pips squeaked, as it were. My right hon. Friend will recall that the wealthy French then moved in very large numbers to Chelsea. The lingua franca of Chelsea changed from Russian to French overnight. People will move to where they find the tax regime benign and fair.

John Redwood: That is quite right. And they will all contribute to our tax revenues and not to the French tax revenues in the process, which means the French state has an even more difficult task.

There was one particularly important thing in the shadow Minister's speech. He correctly agreed with the Government that we need to raise productivity. He would not take my intervention, in which I wanted to raise one of the sadnesses in the long period of Labour Government from 1997 to 2010. The Labour Government had so much money to spend because they inherited a prosperous economy. In fact, they extended that prosperity in the first part of their government before they went for the crash in the end. However, although they had quite a lot of money to spend, there was no growth whatever in public sector productivity over those 13 years.

In this House, we all say we want to raise productivity. Surely we should take a special responsibility for public sector productivity because that is the sector in which we directly spend the money, employ the people, hire the managers, and set the aims and objectives. As the Labour party is particularly close to the public sector in many ways, it would be good if it shared with us some thinking on having a policy that really does promote higher-quality and better-paid jobs in the public sector. If we have a more productive workforce, we can pay them better and create better conditions. That is what we all want to do.

Hugh Gaffney (Coatbridge, Chryston and Bellshill) (Lab): If we want to improve productivity, why do we not stop the Department for Work and Pensions closures and keep the people who will chase the tax dodgers? Those are the people we want. If we want to improve productivity, we need to keep the jobs, stop the centralisation programme and keep the DWP jobs going.

John Redwood: The idea is to provide a better-quality service, applying modern technology and techniques to serve those who need the scheme. I am sure that the Minister will be interested in any detailed criticisms the hon. Gentleman may have. This Government have spent a lot of our public money on dealing with abuse on the tax side, because they rightly believe that we should be fair, crack down on tax abuse and ensure that people do not cheat the welfare system. Neither is a good thing to do. If we want a sensible financial balance, we should surely be fair to both sides by ensuring that we are not cheated out of public money and that we are not short-changed by people who break the law on tax.

Stella Creasy (Walthamstow) (Lab/Co-op): The right hon. Gentleman was waxing lyrical about corporation tax earlier. Of course, private finance initiatives—with companies that Members on both sides of the House have concerns about—have been beneficiaries of the Government's changes to corporation tax. Those companies benefit from the lower corporation tax espoused by the right hon.

Gentleman, even though they signed contracts with the Government to pay a higher rate of corporation tax that was part of the value-for-money assessment for those contracts. If he wants to get the money owed to the public sector, does he recognise that corporation tax may need to be amended in certain ways and with some companies to reflect that?

John Redwood: The hon. Lady is very brave to mention PFI because that was a failed experiment by the Labour Government, who got through an awful lot of public money needlessly by not doing good deals with the private sector and not understanding that they had to be more careful in the kinds of contract they signed.

Stella Creasy: rose—

John Redwood: I will give her another go.

Stella Creasy: I welcome the right hon. Gentleman's concerns about PFI. I would like to hear him talk about Private Finance 2, which is this Government's proposal, including £23 billion of infrastructure investment that will be done under the same contracts, and which therefore faces the same challenges. Many Labour Members recognise the need to deal with PFI. I would hope to hear the right hon. Gentleman—a man who has been so proud of the role of corporation tax—deal with them equally rather than avoid the question. I am sure that his constituents would like that too.

John Redwood: I did not avoid the question at all. I pointed out that most PFI contracts were signed under the Labour Government. When I was a Secretary of State, I remember being offered a PFI route to financing a new hospital. I looked at the numbers and did not think they worked, so I said, "I'd rather finance it in the normal way by public borrowing because that would clearly be cheaper and give us more control." That was a bit of a surprise to my officials but they quite liked the advice I gave them on the subject. It is the job of a Minister to understand these things, but a lot of Labour Ministers did not understand the contracts they were signing, and those contracts had weaknesses. If the hon. Lady has problems with contracts that Ministers are currently signing, it is her job as an Opposition MP—she will not be shy about doing this—to give chapter and verse. She has not been specific, but we do not have time to turn this into a debate about individual contracts. I am sure that my ministerial friends, particularly in the Treasury spending department, would be very interested to hear where she thinks they have gone wrong. However, we probably need to move on.

Stella Creasy: rose—

John Redwood: Oh, if she really wants to intervene again, she may.

Stella Creasy: I thank the right hon. Gentleman for giving way again. I am pleased to hear his concerns. I note his intention to increase public sector borrowing. I repeat that the Government are talking about £23 billion of infrastructure spending financed by this Bill. They are looking at PF2, which is "exactly the same" as PFI. They are not my words, but those of the National Audit Office. Will he join me in supporting amendments to the Bill

to ensure that those companies pay their fair share of tax and the public sector gets the money it deserves?

John Redwood: I have no evidence that makes me believe they will not pay their fair share of tax. I am sure that my ministerial friends have heard the hon. Lady's point and will look carefully at the issue. It is good that a lot of our future infrastructure programme will be privately financed, but I always apply a simple test. If the thing is going to be privately financed, I want to ensure that the private sector is bearing significant risk in return for the reward it wants to earn. I do not like phoney PFIs, whereby the private sector cajoles the public sector into taking all or most of the risk while giving a higher reward than one would get on a normal Government bond in order for the contract to be signed. There were quite a lot of those under the Labour Government and the taxpayer is much the poorer as a result. It is part of the reason that we did not get the gains in public sector productivity that we would like to achieve. If we do not discipline the big investment spend, we do not drive forward the productivity gains that we clearly need to make across a large public sector.

In conclusion, the best way to raise the extra money we need to pay wages and improve public services—an aim that is shared across the Chamber, contrary to Labour's belief—is to drive further growth in the economy so that more people are in jobs to pay tax, and so that more companies are doing things here and making profits here on which they can pay tax. We need a series of tax rates that are not too complicated and that are low enough to be sensible so that we are internationally competitive. Then individuals and companies will have every incentive to do more, invest more, work harder and work smarter in order to carry the economy forward. I trust that is what my hon. and right hon. Friends will be doing.

I do have some worries about the length of modern Finance Bills. It is useful to have another doorstep, but it is a bit of a barrier to our reading every page and giving it the credit that it undoubtedly deserves. It would be good to see whether we could have a period of fewer and simpler taxes so that we do not need quite so much language in Finance Bills. It would also certainly be good to look at what one can learn from the success of raising more revenue from richer income tax earners by going from 50% to 45% and getting more revenue out of companies by going from 28% to 19%. We could apply that principle more generally to other taxes because we would then have a win-win situation. We would have more money for our public services, more economic growth, more people in jobs and more people keeping more of the money they earn. That might make for happier constituents, and that is my main aim in being here.