

Too many prisoners or too few prisons?

The prison population has soared this century in the UK. Some of that is the result of longer sentences for serious offenders. Some of it is currently too many remand prisoners awaiting trial, where queues have lengthened in courts. Some of it is more foreign prisoners.

Yesterday the Justice secretary told Parliament of his plans to bring supply and demand for prison places into better balance. There is a large building programme underway. He is going to speed up expelling foreign prisoners. He proposes different punishments to prison for non violent offenders. He has been taken by the fact that 55% of all those convicted of a lesser offence who spend a short time in jail reoffend after the experience, whereas only 22% of those who are given a non custodial sentence for lesser offences reoffend.

Prison loses prisoners their jobs, maybe loses them their families and their homes. Prison can put them under the influence of hardened serious criminals who groom them for a life of crime, telling them of the problems for ex offenders once released. It is difficult we were told getting bank accounts, insurance and credit fresh from prison.

With electronic tags, probation, community work, curfews and requirements to attend interviews, classes or work the offender can be punished and given the chance of rehabilitation. I think there is much in this, and added the importance of getting thieves and fraudsters to pay some compensation to victims out of what legal earnings they can achieve.

Of course the government was right to require longer custodial sentences for those who are a physical threat to the rest of us. It needs to help the courts get over their backlogs. It needs to be ambitious to say good bye to foreign criminals and make sure through Border Force they cannot return.

Destroying our roads

There are so many places now making it difficult or impossible to drive on main roads. Councils who plead poverty and claim increases in grants from Whitehall do not count or are in effect cuts seem to have endless money for reducing the roadspace for vans, delivery Lorries and cars.

With more of their officers working from home there is more scorn for those of us who need a car to get to work or to come to their homes to provide a service or a delivery.

There is money for line painting, money for new aggressive kerbs, money to

pave over parts of the carriageway, money for more sets of traffic lights, money for more bollards, money to block one entire lane of a two lane road, money to put street furniture and plant tubs in to restrict the roadspace, money to keep changing the speed limit in the same urban area from 20 to 30 to 20, money to block side roads altogether, money to invent local traffic areas, money to install cameras and money to put up a multitude of signs. The more complex the arrangement the better. Doubtless there has been a fortune spent on consultants to design the fiendish ways of restricting vehicles.

There is little thought for ambulances, fire engines and other emergency vehicles. There is no thought for the army of small businesses that come to do work in people's homes that need to bring their tools and supplies in a van. There are usually very restrictive and expensive parking policies designed to stop anyone coming by vehicle to do a days work.

Why do these Councils hate us so much? Why do they send taxpayers huge bills for making life more difficult? Why do they want the UK to be less competitive? Why are they so anti work?

[Conservative Home article on managing the economy](#)

The Treasury and the Bank put out a wrong narrative on the economy. The Bank claims it is independent and responsible for counter inflation, but denies any blame for the great inflation that we are living through. It belatedly and at slow pace is reviewing why it got its inflation forecasts so wrong. You would expect it to move more quickly as how can it control inflation properly going forward if it does not know what it is likely to be? The Treasury and OBR are so far unrepentant for their wildly wrong forecasts of the deficits in recent years, yet still full of themselves in telling us we cannot afford any tax cuts. How can they know this when they cannot forecast tax revenues at all accurately, and have a model which does not seem to understand that tax revenues tend to rise with more growth and fall with more austerity?

Of course the Ministers and Shadow Ministers must defend officials in public and work with them in private to get a good answer. It is not, however, the Minister or Shadow Minister's role to pretend all is well when big mistakes are being made. It is certainly not a good idea to accept advice which is wrong, based on models, forecasts and economic theories that have done much damage in the past. The Minister needs to institute reform from within whilst declining the advice in the meantime if it visibly depends on things that have done harm recently. The Shadow Minister should be critical from without, blaming the Minister for a bad scheme or wrong forecasts or bad advice if the Minister is relying on them. It is the Minister's job to look for and take good advice, not to accept bad advice

because of who put it forward. The media should not be reverently presenting every OBR and Bank forecast and statement as the gospel when it has been so wrong in the recent past. It should be shining a critical light on how the Bank forecast 2% inflation and we got 11%, and how the OBR was more than £100bn out on deficits when they claimed to be able to pin point the need for £10bn or £20bn of more tax revenue.

Instead, both the main parties now are telling us we need to accept an iron financial discipline designed by the OBR. Labour wants to double up on the OBR discipline the government accepts, apparently oblivious of the huge errors in deficit forecasting in a control system that relies on forecasts of the deficit to determine spending and taxes. The Chancellor briefs the press that there is no scope for tax cuts based on strange forecasts for five years time, when the only thing we should all agree about is the five year forecast is bound to be wrong. So many things might have changed by five years time, whatever the result of the next election. Few professional forecasters would wish to give you a spot forecast for the government deficit that far forward, but would reluctantly give you a range based on varying scenarios.

Don't get me wrong. I do not want the state to spend and borrow more. I am all in favour of getting the deficit down, but do not think high tax rates and austerity achieve that. More often in the past that approach has put the economy into recession, cutting tax revenues, boosting the costs of economic failure and so increasing the deficit. What we need is better spending control, a vigorous assault on the unprecedented 7.5% large fall in public sector productivity this decade, and a combined monetary and fiscal policy that takes inflation seriously. We have lived through several years of both parties agreeing a policy of spending huge extra sums on covid relief and public services, with Labour usually complaining that the very large rises are not sufficient in some important areas. No party queried the printing of huge sums of money to keep rates low and bond prices high, powered by a Bank of England that paid ever more expensive prices to buy bonds. In 2021 those of us who warned of the dangers of the Bank extending bond buying and money creation too far into recovery after a necessary offset to lockdown were ignored. It proved inflationary, as we feared and as they denied. Now the Bank has lurched to a very tight monetary policy and is dumping the very bonds it paid too much for at ever lower prices, maximising the losses it is making.

Over the last year the Treasury has followed a policy they told us would stabilise the bond markets. Instead bonds have fallen further, pushing interest rates up a bit more. The ten year and the thirty year rates of interest hit new highs recently, above the level of last autumn which attracted so much criticism. So the higher taxes did not bring the rates down or save the value of the bonds. This should not surprise anyone. Throughout the last year the Bank of England has been threatening higher bank rates, raising rates and selling loads of bonds at ever lower prices, driving the market down. It was the Bank of England's announcement of higher rates and the plan to sell £80bn of government bonds on the eve of the Kwarteng budget that sped the fall last autumn, at a time when the Fed and ECB were doing the same to their bond markets. The Bank engineered a rally last autumn in prices by a temporary reversal of the bond selling. The Bank realised late that bond prices were destabilising some pension funds who held too many bonds

and showed it could get the market up if it wanted. Surely those experiences should lead people to see the Bank had an important role and still has an important role in driving rates higher and bonds lower? The recent sell off in bonds clearly wasn't the fault of Mr Kwarteng and I don't think Mr Hunt had anything to do with it either.

The UK economy can perform better. The covid lockdowns were a bad economic blow agreed to by all front benches in Parliament. The bitter Ukraine war gave energy prices a savage twist, though the general inflation was well set before the war. Inflation in the UK was three times target on the eve of the hostilities. Today the economy needs more growth as well as lower inflation. It should not be a case of getting inflation down with a recession first, then thinking about monetary stimulus to cheer things up. What is needed is a successful drive to boost public sector productivity, to at least get it back to 2019 levels, a reining in of some nice to have but not essential spending, and some tax reductions and incentives to boost investment and output. Ending the HS 2 scheme where it can be cancelled and spending on better cheaper transport links that can come in sooner is a good step. Granting permissions to extract more of our own oil and gas from the North Sea down half empty pipelines is very positive, boosting output and tax revenues. It also needs lower taxes on small business, the self employed and company profits. These can be afforded within a sensible deficit reduction strategy, with models that realistically capture how more output delivers more revenue.

Debt Interest

We read that the Chancellor is being told there is no scope for tax cuts in the budget because debt interest continues to leap upwards.

I do agree the government needs to reduce the deficit and control state debt in future. The best ways to do that are to control public spending better, and to grow the economy faster to increase tax revenues. Tax cuts are essential to a growth strategy. The decision to cut HS 2 is an important first step in controlling public spending. This blog has identified plenty more.

The debt interest figures being used to terrify the Chancellor are a muddle of three very different things.

There are the payments actually being made in cash on all the past government borrowings. These are going up a bit as a result both of the increase in debt, and the increase in interest rates meaning that when some of the debt matures the replacement borrowings are at higher rate. These are still affordable.

There is the payment being made to the commercial banks for holding reserves at the Bank of England. This is a new torture for taxpayers introduced as

part of the Bank's ill advised Quantitative Tightening policy familiar to readers of this blog. Money deposited at the Bank by commercial banks as reserves used not to attract interest, then attracted a reduced amount of interest based on a weighted calculation. The European Central Bank has recently announced they are going back to no payments on required reserves. Why doesn't the Bank of England resume its old policy to save the taxpayer some money? Interest paid to commercial banks has soared as the Bank has hiked interest rates and passed it all on to them, a direct gift from taxpayers.

Then there is the real killer in the figures, the inflation cost on the indexed part of the debt. Around one quarter of the state debt has been borrowed offering the lenders reimbursement for inflation on the income and capital they are owed. The main capital enhancement is not paid as a cash sum each year as inflation mounts. At the maturity of the debt which may be 10 or 20 years away then the inflation is added to the sum to be repaid. In practice the state just borrows the extra sum as it rolls over the debt. It is wrong to treat this as an annual cost affecting the running deficit as the current accounts do. This gives alarming figures for debt interest when inflation is high. In June debt interest was said to be £13.6bn but £9.3bn of this was inflation provisions where no cash was paid out.

Why make people buy things they do not want?

The row over what kind of car led to the Luton car park fire reveals a deep divide over what cars people want to buy and which they think are good. I have not posted items from people who claim the car was an EV or was a diesel as clearly this is an important contested fact. Some assumed it was an EV, some countered it was a diesel and some now say it was a hybrid with a lithium ion battery. Let us have the truth from some independent authority.

The reason for the row is of course the fact that the establishment wants people to love electric cars, whilst many people do not want one for all sorts of reasons. They are looking for any more bad news to try to put the establishment off its huge support for EVs. If cars with lithium ion batteries do self immolate more often than petrol or diesel then that would be a big negative. Bringing down a whole new car park is not a good look. We must be thankful no one died in the fire. There are worries about newsworthy vehicle fires and about the difficulty in putting out a battery fire, and issues over how common these disasters are.

The underlying problem is the insistence of net zero governments that we should buy or accept products we do not want because we think they are dearer, less convenient, not so fit for purpose. Indeed in one case

government wants us to accept a product, the smart meter, which is offered free. We all of course are paying heavily for this through our tax and energy bills. Despite the free offer, years on half of us refuse one. Huge money and effort is being expended on trying to get us to take one. They will not take No for an answer. They should try instead to understand the wide disagreement with these products and produce better ones we do want.

Too many people see EVs as dear, with too limited a range posing big problems to recharge. The refusal of government to say how lost petrol tax will be replaced is also a major worry. Too many people think heat pumps are far too expensive even after a subsidy, and worry they would be dear to run and let us down on temperature on cold days. Smart meters are thought to be a change designed to overcharge or switch off power if supplies become too irregular.

The green revolution needs to take consumers with it to make faster progress. That will require improved products and services that people can afford.