

The Chancellor's lecture

The Chancellor's latest Mais lecture told us he believes in a free enterprise economy and lower taxes. I have no problems with that. It began with a quote from Adam Smith and praise for a competitive free enterprise approach to delivering goods and services. The lecture then modifies this vision as it needed to do by reminding us that we encourage substantial government intervention in such an economy. He did not raise the issue of how far government intervention can go before you cease to have his ideal private enterprise model. Today by common wish we have the state as a near monopoly buyer of healthcare and education. The railways have effectively been renationalised. Government also presides over a major policy of transfers of cash to those on low or no incomes .

The lecture states an aim of growing faster. This is to be achieved by concentrating on people, capital and ideas or innovation. The lecture talks of the need to raise the productivity performance of the economy. It is unexceptional that we could achieve more progress with more and better education and technical training. He wants a higher rate of private sector investment, given the big boost to public capital investment that has been agreed. He wants to see more innovations and ideas, which will require a private sector boost to investment in research and development. The lecture lacks detail on how any of this might come to pass.

He asserts that a larger state will not deliver faster growth or higher prosperity. There is some truth in that. He then argues he must not cut tax rates before he has got the deficit down, as he does not believe there will be more revenues from lower rates. This flies in the face of abundant evidence. The Thatcher/Lawson Income tax cuts brought in a lot more revenue from higher earners. The Republic of Ireland low corporation tax brought in a surge of new investment and extra corporation tax. The smaller Osborne corporation tax cuts brought in extra revenue.

His policy of tax rises and frozen tax thresholds in April runs the risk of less revenue than if he set lower rates. It will bring slower growth, reducing the output and incomes to tax. The lecture disappointed in saying nothing about the energy crisis and little about the cost of living crisis which is related. If he wants to grow with faster productivity he needs to address the chronic shortage of affordable energy for industry in the UK and needs to restrain the impulse of other Ministers to favour imports over home production in a wide range of areas.