

## Another leadership election

As if 4 Chancellors in 4 months was not enough we are now pitching for 3 Prime Ministers in 3 months and maybe a fifth Chancellor. It is an irony that a small group who were determined to pull both Boris and Liz down claim we need to stabilise the markets!

Their attitude to the members is arrogant, preferring them not to have a vote or upending anyone they vote for that they did not want. It makes it extremely difficult for anyone elected as PM as they are under constant fire from their own side from people who will abuse their privileged access and look for any slip or error. Having healthy debate about policy and decisions is good. Personal attacks and venom is destructive and puts many good people off politics.

We now have a short space of time to do again what was done at leisurely pace this summer. The members should look for someone with Conservative views and reject the idea that we want a so called grown up who will do everything the establishment and the international institutions tell them. The establishment gave us the inflation and now seem determined to give us a recession. Why trust them when their forecasts were so wrong and when they continuously lied to us about the inflation they caused but denied for so long.

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## My interview with Dan Wootton on GB News in which we discuss economic policy

You can watch my interview which starts at **1:22:27**

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## The run up to the budget

The budget is now a crucial moment for this government. It has to demonstrate that there is a growth strategy, and show how decisions will be made to limit the downturn and point the economy to a better future. It is made more difficult by wanting to put up Corporation tax, making the UK a less attractive destination for inward investment and new jobs, and reducing company cashflows for new domestic investment by companies already here.

Since the Chancellor spoke about reversing tax proposals various independent forecasters have been cutting their growth forecasts.

The government has placed itself at the mercy of OBR forecasts. The OBR needs to lift its current year forecast of the budget deficit which I said would be an understatement when they made it. It needs to update it for the extra spending the government has now committed as a response to the energy crisis. It needs to reflect for the following year the likely slowing of revenue growth as a result of economic downturn. The government needs to tell the nation that whatever it does borrowing will be higher over the next year or so. The choice is whether to offer some offset to the hit to real incomes from higher interest rates and higher energy costs in order to limit the downturn, or whether to end up borrowing even more because the downturn is deeper and longer. It seems likely the OBR will follow the Bank of England in predicting no growth and maybe a recession in 2023. The crucial 2025/6 year forecast which affects the budget judgement needs to be more realistic than last year's deficit forecast. There will be a windfall on the debt interest programme given the way they state it. As inflation comes down so on their definition the interest programme falls sharply.

The government needs to review the list of projects to expand UK capacity listed in the Growth Plan 2022 released by the last Chancellor. Several important oil and gas field developments are missing at a time when we need to swell the domestic production of fuels. This would boost revenues at home and cut carbon dioxide from transporting and liquifying imports. The road schemes need to be ones which increase capacity on main roads to allow people going to work in vehicles freedom from so many traffic jams. They can then book an additional appointment in the day. They should add small modular nuclear reactors to the list where pump priming state investment could lead to a major new manufacturing activity to be privately financed with opportunity for exports.

The government needs reviews of regulations, licencing and subsidy regimes where they affect our ability to grow more of our own food, deliver more of our own energy and produce more of our own industrial products. Your ideas would be of interest as to what a good Growth strategy should look like.

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## [System Upgrades](#)

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I am afraid the new system we are installing to replace the old one requires you to re-register. If you would like to, please put your email address into the "free email alerts" box any time from tomorrow ( Thursday 20<sup>th</sup> October

) onwards to continue to receive the email version.

Yours sincerely

John Redwood

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## [What economic policy now? \(written for Telegraph\)](#)

The abrupt decision to sack the Chancellor and to signal a 31% hike in business taxes was a bad idea. It leaves the government searching for more to fill its Growth strategy. The political debate over the growth strategy is now even more fevered and not well informed. Critics of the tax cutting plans assume the borrowing levels that result will be too high, and lasered in on wanting to hike Corporation tax to correct the elusive number they use for the alleged excessive borrowing. They should wait to see the spending plans, and to read the government's considered forecasts of what might happen to revenues and outgoings as a result of all the changes. The new Chancellor needs to work up convincing spending, taxing and borrowing numbers with OBR assessment. The OBR need to get a lot better at forecasting deficits as they are so crucial to tax judgements.

It is clear that after two years of wild pessimism about likely borrowing by the OBR, this year their forecast for borrowing was too low. I have found myself having to disagree with OBR forecasts three years running. The truth of the current situation is whether we raise Corporation tax or not, borrowing this year will be considerably higher than forecast. The main reason is the cost of the energy package. All agree we need to do enough to help hard pressed consumers and businesses. Forecasting the cost of the current scheme depends on the gas and electricity price over the winter, which could ease the costs or could escalate them. Tweaking the scheme to limit all household consumers to the controlled price for a specified amount sufficient for the average house could cut costs a bit, charge better off consumers with large houses more on the extra fuel they burn, and be a further incentive to reduce fuel use. We need to be generous to those on low incomes but careful with overall spending on this package.

The choice we are making is do we hike taxes now with the likelihood that this would intensify the downturn and lengthen a possible recession, or do we provide more offset to the downturn through a mixture of financial support and tax reductions? Arguably we will have lower overall new borrowing if we offset some of the downturn than if we rush into tax rises. The economy is going to slow whatever taxes we set, as the Bank of England is determined to drive interest rates and mortgage rates up whilst the high energy prices are like a huge tax rise on all of us. The more we pay for energy the less we have to pay for other things, and the fewer jobs and incomes there will be supplying the discretionary items that many have to give up. As mortgages are forced up so mortgage holders can afford less. Tax rises will deepen the

downturn and slash the revenues as a result.

Amidst all the extreme argument there is some agreement. Most MPs agreed with cutting National Insurance as we do not need a higher tax on jobs at this juncture. Most MPs agree with the general principle of offsetting some of the impact of the energy price hikes to stop a worse downturn. The idea of a Growth strategy is still a good one. If the economy grows faster we get more revenue and have less spending on benefits as more people have better paid jobs and more are in work.

Instead of trying to undermine the Growth strategy the critics should be urging it on and demanding more action. We still await the details of the investments, regulatory changes, incentives, Enterprise Zones and the rest that it will need to boost our capacity, increase domestic energy and home grown food and expand industrial capacity. I want to see a bold set of measures, alongside a budget that tells me what the income is likely to be and what will be spent. Anyone who wishes our country well would want this too. Rushing to make the UK a less desirable place for businesses to invest and create jobs would not be a good start to such a strategy. When we know the whole package we can discuss its balance. We cannot afford tax rises, as these will worsen the downturn and cut the overall revenues.

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