

## Magic money trees

The parties that might form a coalition behind Mr Corbyn if enough people voted that way are good at offering to spend lots of other people's money. There is a rivalry between Labour, the Greens, the Lib Dems and the SNP to see who can offer most for popular causes. They are much weaker when it comes to explaining how all this extra money would be paid for.

The favourite method they propose is to put the rate of Corporation Tax back up to 26% from the current 19%. They think this will bring in extra revenue. It has the political advantage of not directly involving voters in paying more, though of course the extent to which companies did pay it would be passed on to customers. They need to study what has happened to revenues in countries that have gone for higher corporation tax rates. The USA is puzzling over large untaxed profits sitting offshore and debating how far to lower their rate to be able to tax that money. They also need to study what has happened to the revenues in the UK since we cut the rates. It looks as if you need to cut the rate to get more tax from business, not put it up.

In 2010 when the Coalition took over the Corporation Tax rate in the UK was 28%. Total onshore Corporation Tax brought in just £30.9bn in the year 2009-10. This year with the rate down to 19%, the forecast is for £52.7bn from this source. It is true there has been an output and profits recovery since the bad days of 2009-10. It is also true that a lower Corporation Tax rate was designed to speed that very recovery, which has been stronger than on the continent over that time period partly because of the tax changes.

In the March 2017 budget the government had to up its forecast of Corporation Tax revenue for 2016-17 by £7.4bn compared to its November forecast just four months earlier! The Treasury's combined pessimism about the growth of the UK economy and the impact of lower tax rates on revenue had misled them badly. They claimed the increase was mainly to do with a timing difference in payments. Yet if you compare the March 2016 Budget book with the March 2017 budget book, they have had to raise their forecasts substantially for several years. Their total CT forecast for 2017-18 is £8bn higher than a year ago, and their 2018-19 forecast is more than £9bn up. This looks like having the wrong model for what happens to this tax when you cut the rate. Going back to the previous March removes any distortion caused by their Brexit worries, as in March 2016 they assumed the UK would stay in the EU.

I do not think there is an easy option to raise billions by taking the UK Corporation Tax rate back up to 26%. You could end up with less and a bigger black hole in the nation's budgets. Large companies are footloose in where they employ people, provide services and make things. They have clever lawyers and accountants working for them to comply with the various global tax authorities around the world by taking advantage of lower tax rates where possible. Even the USA has not proved tough enough to force the profits back onshore.

Published and promoted by Fraser Mc Farland on behalf of John Redwood, both

## More gloomy forecasts that will be wrong

The gloom mongers have latched on to the slowing of the UK growth rate in the first quarter, after the UK's good performance in 2016. They forget the timing of Easter issue which distorted consumer spending patterns. They now have to work their way round some obstinately good PMI figures. They think this means a prolonged slowdown.

Usually they like PMIs, as these are more opinion surveys than hard data. They fell sharply in the summer of 2016 after the vote, but the real economy did not fall away with them and so they recovered. The latest PMIs are strong, with manufacturing yesterday at 56.7 for May where over 50 means expansion. On normal relationships between PMIs and the performance of the actual economy this points to a sharp acceleration in UK growth in Quarter 2 after a quieter Quarter 1. This is not just based on better exports as the USA and the rest of the EU grows a bit. A lot of it is domestic. Demand for services at home remains strong, with many small businesses with plenty of work and some capacity shortages apparent.

The experience of retailers can be misleading. Many bricks and mortar retailers are struggling to keep up volumes. Some are losing margin and having to keep prices down. Shop prices are still lower than a year ago despite the movement up in general inflation around the advanced country world. This is because the internet companies are taking more and more business, and are able to sell at very competitive prices. I see no reason to change my view that the UK will grow around 2% again this year. Money growth is healthy and there are sensible amounts of credit available.

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## Getting about – our motorways and trunk roads

The Wokingham constituency has reasonable access to the M4, and is within modest driving distances of the M3, the M40 and the M25 which are all an

important part of our road network. To the west lies the A34 trunk road, and to the north east the short A 404 trunk link to the M40. All the other roads are local roads, including the A4 which was detrunked some years ago, and the A329M. Using the major routes travellers from Wokingham have access to London, to the west country, to Birmingham and to the north.

The distinction between trunk and local roads matters as they are managed in different ways. All local roads come under the control of the principal Council's Highways Department – in Wokingham's case Wokingham Borough to the east and West Berkshire to the west. The Councils have a budget to maintain and improve these routes, and they lead any policy for changing their capacity or their traffic controls. The motorways and trunk roads are a strategic network of major routes, affording on a good day faster journey times for longer distance travel for both cars and goods vehicles. They are especially suited for large and heavy vehicles, which can make good use of them at night when traffic volumes are lighter. This network takes one third of the traffic on just 2.4% of the roads. These roads are also relatively safe, accounting for 9% of the casualties. It is paid for and maintained by the national government.

In a General Election it therefore makes more sense to debate the trunk network, as this is the one which will be controlled by the government Ministers we indirectly elect. Of course road users want a whole system that works for them, and are not so fussed about who runs what, but it still makes sense to recognise the different budgets and controls which apply, as it affects who to blame and lobby for improvement.

There is insufficient capacity on our local motorway and trunk network. The government has recognised this, and is nearing completion of a 33% increase in carriageway capacity on the M3 from Junction 4 to the M25 by converting the hard shoulder and upgrading to smart motorway. There are plans ready for similar expansion of the M4 from Reading to the M25, which will be the next major expansion. The M25 western section has been upgraded substantially once in its life, and a study is underway on what more needs to be done to provide capacity in that all too busy corner of the world. There are ideas to increase capacity on local roads to reduce local use of the motorway for shorter local journeys. There will need to be more capacity on the A 34 Southampton to Oxford which acts as a haul road for Southampton port traffic.

As MP in the last two Parliaments I argued the case for more capacity, allied to better sound reduction measures when the works are done on the M4. There will be more need of extra capacity and anti noise measures in the years ahead.

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# The Hugo Chavez factor

Others have reminded us that Jeremy Corbyn is an admirer of the late Hugo Chavez, the author of Venezuela's current economic and social misfortunes. Mr Corbyn praised his socialism and singled out for favourable comment the way Mr Chavez shared wealth and changed Venezuela's society. He has been quieter about all this over the last couple of years, as Venezuela has slipped into deep recession, hyperinflation, and social disorder. There are no official economic numbers because they are too embarrassing, but the IMF and others think GDP fell by more than 10% last year and continues to fall. Imports halved and supermarket shelves are often empty.

Mr Chavez nationalised a large number of businesses, including the all important oil industry. Venezuela used to be a relatively well off economy, based on huge oil reserves exploited by commercial companies and taxed by the state. As nationalisation tightened its grip on Venezuela's oil they fell behind in paying contractors, in getting work done to expand and replace, and in pumping enough oil for Venezuela's financial needs. This week they are in the news because a government which has run out of foreign exchange has had to sell deeply discounted bonds to Goldman Sachs to raise some dollars, bonds issued by the nationalised oil company backed by the very oil revenues that are needed for the future bills of the Venezuelan state. There are regular reports of massive food shortages with people going hungry. Now we are told of state violence on the streets against the opposition who seek a change of President and policy.

Mr Chavez gave large sums to the poor by borrowing and by taxing others more heavily. Today this generosity has been badly eroded by rapid inflation, and made worse by the physical scarcity of basic goods to carry on a normal life. Is this really the better way, the socialist dream, that Mr Corbyn recommends? Surely it should be a warning to us all. Nationalising might end up with bad malfunction, as with Venezuela's crucial oil industry. Too much generosity with printed money may just destroy the many through hyperinflation. If people go hungry and are unable to change their government by normal democratic means you do not get an egalitarian paradise, but an authoritarian government trying to stop a civil war born of desperation.

Perhaps Mr Corbyn would like to revisit his enthusiasm for Mr Maduro, the heir to Mr Chavez, and tell us what he has now learned about socialist policies. They were as well intentioned as his, but they have miscarried mightily. Venezuela shows you cannot make the poor rich by making the rich poor. You end up making the whole society poorer, whilst the very rich and the large companies simply leave or stop investing.

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# Fairer funding for Wokingham and West Berkshire schools

At the recent candidates debate for the Wokingham constituency some misunderstandings about fairer funding were on display.

I have been lobbying for fairer funding, making this clear in private meetings with the Secretary of State, in public debates and on this website. It is true Rob Wilson also took a delegation to see the junior Minister, Mr Gibb. When I heard about it after the event I also lobbied him, telling him of my exchanges with his boss, the Secretary of State. Local Conservative Councillors have been as keen on fair funding as I have been, and have also lobbied.

The main policy issue has been handled by the Secretary of State. I helped secure the place of fairer funding in the 2015 Manifesto, and have been keen to see the government enact it since. I did not agree with the formula proposed in the Consultation document, as I wish to see a higher proportion of the money allocated as an identical lump sum per pupil for every school which will help our schools and seems to me to be fairer. Many of the costs are similar around the country given national pay scales.

If elected to Parliament next week I will press for a better formula and will argue for increases in the total money going to English schools. One way or another I want our local schools to have a real increase to help meet their budgetary pressures.

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