

## Big deficit – too much spending

The first month of a Labour government saw borrowing rise on the same month the last year, and come in higher than experts were predicting. The cause was higher spending, as revenues were strong. A substantial part was higher benefit bills agreed by the outgoing government as well as by the new one, but some was first increased spending by the new Ministers. There will be a lot of extra spending to come as they make inflation busting pay offers above the old plans, as they expand the green subsidies, as they allow in more migrants on low or no incomes, make more state investments in nationalisation and as they expand the public sector without productivity plans.

The figures were flattered by the drop in inflation which cut the so called debt interest figure as it includes the non cash payment of indexation increases in Index linked UK state debt. The Bank of England also celebrated the arrival of a Labour government by sending them a lower monthly bill for their losses. Lets hope they make a habit of that. This disguised a bit the spending problem Labour is creating for itself.

The UK cannot afford the £20-30 bn of lost public sector productivity since 2019. The past government was slow to tackle it though it wanted to. The new one seems to have given up. The UK cannot afford the high Bank of England losses, but neither the last nor the present one seem prepared to tell the Bank to adopt ECB or US policy towards their bond portfolio which would cut the losses substantially or entirely.

If the government is serious about wanting economic growth it has to wean itself off ever higher public sector spending and losses by state owned organisations. It needs productivity enhancing pay deals on the railways and in the NHS. It needs a more moderate and mainstream approach to Bank of England bond adventures. It needs to reappraise its aims with green activities, as it is trying to do too much and will end up losing large sums of taxpayers money in a muddle over going for hydrogen, hydro, nuclear, carbon capture, battery, wind and solar all at the same time. These policies can be in ways which impede successful adoption by the public so incurring large taxpayer losses. They have not thought through how they replace fuel duty if they succeed in banning new petrol and diesel cars or how they replace the high taxes on home produced oil and gas as they shut it down.

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## Energy prices rise again

It is perhaps fitting that energy prices go up again soon after the new government arrives. The last government was wrong to impose and retain price controls for as long as it did, but it was always encouraged to do so by the

Labour Opposition. These price controls mean lurches in bills and prices, and mean prices stay higher for longer when they are on the way down. What is the point of them?

The last government was wrong to impose windfall taxes on energy that did not define the windfall properly and stayed on after the windfall high prices went down. The new government likes these taxes and wishes to hike them. That will mean the more rapid close down of our own oil and gas, more import dependence and higher prices. The last government did come round to the conclusion that closing down our own oil and gas faster was a bad idea. It meant importing more LNG which is far more CO<sub>2</sub> intensive as well as meaning we lost the tax revenue and the better paid, jobs that home production delivers. It is self harm on a huge scale.

This government on its sane days admits we will depend on oil and gas for many years to come. Global forecasts say the world will be burning more oil and gas in 2030 than today and decline thereafter will be slow. The issue is who benefits from the oil and gas extraction, and do we add to the CO<sub>2</sub> by relying on CO<sub>2</sub> dense LNG where liquefying, gassifying and transporting all require large amounts of energy.

Some think trying to reduce CO<sub>2</sub> is a bad idea, and disagree with the global warming theory. There is no need to engage that argument when less contentious and more obvious arguments show that not getting our own oil and gas out of the ground is madness. No wonder we have dear energy. No wonder energy security is a government phrase that they do nothing to implement. The UK is living dangerously by spurning its own domestic energy. It is deindustrialising too quickly, importing too much and wondering why it does not grow faster. Far from saving the world it just watches as others grow richer out of selling us oil and gas and fossil fuel based products, producing more CO<sub>2</sub> on the way.

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## [Paying for democracy](#)

I do not support the idea that political parties should receive state funding paid for by taxpayers. The closest we get to that is the grant paid to the Opposition in Parliament to allow it to hire support staff, and growing budgets for so called Special Advisers to Ministers.

I think it right that political parties raise money from people who support them. I also think it right we disallow foreign companies and non residents from making donations.

It is true that funding parties still poses difficult questions. If a Trade Union gives a large donation to Labour or its MPs because it likes the party's general support for Unions, that passes the test as an acceptable contribution. If a Union gives money whilst telling a Labour Minister they

must accept a high pay demand from that Union or must amend Employment law in a way they want, that is cash for policy.

It is the same for Conservatives who have tended to get more donations from successful entrepreneurs. It is fine if they donate because they agree with a lower tax and less regulation agenda which Conservatives are meant to believe in. It would be wrong if the donor wanted specific tax or policy changes for their money.

The present government is backed by a majority of MPs who have received financial assistance from Unions. It inherits a public sector which is heavily unionised, has just collapsed productivity and is pressing for large inflationary increases. MP s and Ministers need to tread carefully not to give a bad impression.

I think the main parties are allowed to spend too much on national campaigns, and Ministers have too many special Advisers. The system would work better if less money was wasted on these budgets.

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## The burdens on business

Governments this century in the U.K. have delighted in increasing burdens on business and interfering in what companies can make and sell and how they do it. For much of the time the EU dreamed up most of the interfering for a U.K. establishment that went along with much of it. More recently governments have copied more EU laws or thought up some of their own.

The Thatcher government had a period when it got rid of a tax every budget, seeking to reduce the number of meddling low yielding high cost taxes. Now a combination of seeking more revenue and a fatal fascination with trying to change how companies and people behave has produced a welter of sector or behaviour specific taxes.

Business has to pay environmental levies, windfall taxes, emissions trading charges and the climate change levy on its energy, helping make the U.K. a high cost energy country and leading to the rapid run down of energy intensive business. There are planning fees, stamp duties, the aggregates levy on building. There is a landfill tax, a plastics packaging tax, a soft drinks levy, and a digital services tax, Travel incurs an Air Passenger duty, insurance a premium tax, ATOL licence fees, new car taxes and VED. Business generally pays an Apprentice levy, pays for the Pension Protection fund,. There is a betting and gaming levy. There is a better point to paying Land Registry fees and Company House fees to ensure title and company information when considering counter parties.

Many of these levels yield modest revenue, but all imply politicians know better than bus8ness and their customers, and say that without tax and

regulation there would be bad outcomes. Each of these has a compliance cost for affected businesses, and for businesses that find out they do not need to comply.

This large top heavy edifice makes it more difficult for new and small businesses, and can tip large business into investing elsewhere. Most businesses know they need to look after their employees, be good neighbours and sell safe and good products. The minority of bad performers are law breakers, as it is against the general law to treat employees badly, to sell unsafe products or to damage the local environment. It does not need this blanket of targeted taxes to make these basic points.

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## Bad Ministers

There are plenty of ways for Ministers to be bad.

A few muddle their private interests with their public duties. They claim costs they should not claim, pursue causes and decisions for people and businesses that have supported them, receive income and gifts they do not properly account for or should not have received. In extreme cases they commit crimes.

Many play politics instead of managing their departments and acting in the public interest. They think the way to deal with a problem in their department is to blame someone else, help a cover up or shunt the issue off to another Minister or department. If someone has a real problem the department could or should sort the Minister should not contribute to a long civil service delay in responding and should not allow out a cop out answer or a refusal to help.

Some bad Ministers are simply out of their depth. They read out civil service responses without understanding what has been written down. I remember sometimes in Opposition asking a Minister to explain a complex or abstruse sentence they had just read out. A bad Minister would wait for a reformulation from officials. If I was cruel enough to ask for that to be explained I was promised a written reply at a later date as they did not understand the civil service reformulation either. Sometimes the point I was making was that the prose was deliberately abstruse, ambiguous or wrong.

I remember serving on a Statutory Instrument Committee where a Labour Minister put before us a short SI setting out the annual housing grant monies by Council which needed Parliamentary approval. The Department was late with the SI owing to incompetence. I noticed immediately that the SI recorded all the full amounts of grant being paid but also had on it the statement that all amounts in the text were in £ millions. The lazy Minister and all the officials had failed to spot that they were asking for approval for a total sum in excess of annual GDP! I proposed the Committee be abandoned and they

came back another time with an accurate SI, as SI s cannot be amended in Committee under House rules. After anguished consultation the Labour Committee chairman and the government majority decided to just pass the wrong text!

A bad Minister either gets thrown out for bad conduct or leaves office with nothing positive to show for their period in office.