

Labour goes for the full Corbyn

Labour's Manifesto was even more socialist than the leaked version. Nationalised water companies were added to the purchase list, alongside a nationalised Post Office, new nationalised regional banks, regional public sector energy companies, the gradual renationalisation of the Grid and nationalised train companies. This large programme of changing ownership is not costed.

The Manifesto aims to raise £48.6bn in tax and to spend it on other items. Companies would face a big tax hike on their profits, new taxes on highly paid employees, taxes on buying assets and derivatives. The better off would face a 45% tax charge at £80,000 a year and a 50% tax charge at £123,000. Public debt would be likely to go up much more rapidly than under current government plans to pay for investment, nationalisation, and any shortfall in revenues.

The problem with the arithmetic is it assumes very rich people and companies will stay and pay. It assumes rich people with flexibility will still work and invest as hard, and that companies will still build up more profitable business in the UK when other countries offer them a lower tax background to expand. Given the strong growth in corporation tax receipts seen in recent years in the UK as the rate has been lowered, it is dubious to think there would be further major growth in revenues if the rate were raised so much. Given the good growth in the amount paid, and the increase in the proportion of income tax paid by the better off with a reduction in the top rate from 50% to 45%, it is again questionable that Labour's plan would work on Income tax either.

There are even bigger numbers on capital account. A £25bn a year investment programme is specified, though much of this is projects already underway out of budgets already secured. Presumably on top of that is the wish to set up a National Investment Bank which in turn would be able to lend £250bn for suitable projects. The taxpayer would be standing behind the bank and the projects if they miscarried.

Labour say they "accept the referendum result" and say they will get on with legislating to get the UK out of the EU. They wish, however, to negotiate their way back into the customs union and many other features of the current EU scheme. They would guarantee the rights of all EU citizens in the UK before the EU made a similar reassurance for UK citizens living in the rest of the EU. They are silent in the Manifesto over UK payments to the EU, though elsewhere they have implied they think the UK does have to pay some bills the EU dreams up that have no legal base in the Treaties. None of this makes for a strong negotiating position designed to give both the UK and the rest of the EU a good Brexit. It is in the interests of both sides that we have a good future relationship. The UK being firm as well as friendly is crucial to delivering such an outcome.

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