

My contribution to the Finance (No. 2) Bill debate, 13 April 2021

I strongly support those MPs from Northern Ireland who are urging the Government to move on and make sure that we can restore the important trade between Great Britain and Northern Ireland. It has been damaged. The EU is being too intrusive. The Northern Ireland protocol clearly sets out that the United Kingdom is a whole and has its own internal market.

It states that Northern Ireland should be fully part of that market, and that is not true today. So I urge the Government to take control over all trade that is internal trade from GB to Northern Ireland and not going on to the Republic of Ireland – therefore not of concern to the European Union—and to ensure that it runs smoothly.

That is just one part of a much bigger picture that we need to fuel a strong recovery.

Of course I agree with the Government that the current level of deficit is unacceptably high and we cannot go on with deficits on that scale indefinitely. I also agree with the Government that it must be a one-off, and the Government did need to be very generous, given all the damage being done to individual livelihoods and businesses by the health measures being taken to combat the pandemic. But all the time that restrictions and adverse measures are in place for health reasons, the Government should continue to be generous. People and business need support.

We want people to be available to go to work and businesses to be available to produce goods and services as soon as they are legally allowed to do so. It is a big cost, but it is manageable. We are seeing around the world that many Governments are having to do the same thing, interest rates have stayed very low and, so far, the debt has remained affordable.

I encourage the Government to understand that the deficit will collapse very rapidly as soon as the controls are off and all those policies in place to promote a fast economic recovery take effect. We are going to have a much faster recovery than normal once the controls are off, because we had a much bigger fall thanks to the controls themselves, which, in an unprecedented way, stopped people working and stopped businesses trading. The Government should take some encouragement from the United States' example.

The United States' monetary stimulus and fiscal stimulus are huge. If we adjust for the size of the economies, the stimulus under the Federal Reserve Board's actions and President Trump and now President Biden is about twice the scale of the UK stimulus in monetary terms and is considerably higher in fiscal terms. Perhaps the US is taking more risks with inflation than we would like. I am not suggesting that we need to match the American numbers, but I am saying to the Government that we are nowhere near the American numbers, so worry not. This is the time for stimulus. This is the time to

make sure that the economy is properly supported and people can get back to work.

With that in mind, I urge the Government to look again at the idea that we need tax rises in the years ahead. If we threaten too many tax rises, it will damage confidence. We will put people off investing here and make people nervous about spending and make them want to save more. This is the time when we need people to spend, to recreate those jobs and get businesses going again. This is the time when we really need businesses to want to come to the United Kingdom or to stay and grow in the United Kingdom, because we need that massive investment. We are short of capacity in all sorts of areas. We have had too much deindustrialisation over the last few decades, and now is a great opportunity to promote new investment. The Government recognise that with their short-term measures to boost investment, but they may need to show that we are going to have a very benign climate on business tax after the initial impetus and stimulus is offered. If people think that we are going to gravitate to the average or to a higher tax regime, it will put them off.

I pray in aid our neighbour the Republic of Ireland, which has been extraordinarily successful by having an extremely low corporation tax rate. It is 12.5%—a knockout low rate—and what has happened? First, the Republic of Ireland collects far more as a proportion of its total tax revenues from business than us or other European Union countries, because so many great companies have gone there and book a lot of profit there, since the rate is obviously agreeable and favourable.

The Republic of Ireland also has a much higher GDP per head. It is more than twice the EU average, and it is considerably higher than the United Kingdom's. That is entirely because the Republic of Ireland has this extremely attractive tax policy, which has been so successful in attracting a lot of inward investment, a lot of jobs based on that, and a lot of turnover and profit booking, particularly from great American corporations.

I do not know how that will work out now that President Biden is encouraging a minimum rate, which would mean almost doubling the Irish rate. We will have to see. However, in the meantime, if anyone doubts the power of lower rates to generate prosperity, greater GDP per head and, above all, greater tax revenue, they should look at the Irish example, which is very vivid.

I would like to see the Government speed up with their freeports and be very generous with both the number of freeports and the areas they cover. I also urge the Government to be as friendly as possible to business on taxation and on permits over what to do with the land and how to create all those extra jobs we wish to see. It is an interesting initiative, and the sooner it is rolled out the better. Surely, this is the time we need it—when we need to promote recovery.

I also say to the Government that we need our small business community to get back on its feet and to be able to trade again successfully. Small businesses have had a lot hurled at them, and some of them did not manage to benefit from all the schemes that the Government put forward, so they have been particularly hard hit by up to a year of lockdown or impediments to their

trading and their normal work.

I do not think this is the time to be looking at new taxes on small businesses and the self-employed. I do not think the IR35 idea is a particularly good one. It would be good if there were more forthcoming to promote small businesses, which we are going to need. They will have flexibility and the ability to respond. If every self-employed person were able to take on an extra employee, it would transform the employment position, but that requires patient work on ensuring that it is affordable and that the administrative burden is not too great, obviously without undermining important protections for individuals as employees, which we rightly value.

We need flexibility and support from the Treasury and the rest of the Government to understand how important small businesses and the self-employed will be to trigger this revival and to build back in a different way—to build back better, as they are saying on both sides of the Atlantic and as this Government are saying. That implies doing different things, and it requires the innovation and the productivity-driving measures that can come from small companies and the self-employed, who need to be flexible.

There is a huge amount to be done, but the Government should be of good cheer. There can be a very rapid recovery. They have not done too much on the deficit or the monetary stimulus and have fallen quite a long way behind America in the size of the stimulus.

They should be ready to do more, be generous if the controls have to go on longer than we would like, and work with the small business community and the big business community on what is a sensible tax regime. There are issues still to be solved on business rates and VAT. The whole purpose of the reviews should be to promote a strong recovery—better jobs, more better-paid jobs, more small business—and then the revenue will flow. Think of the jobs, the incomes and the prosperity, and the revenue follows. Thinking too much about the revenue first, in the mood of putting everybody's taxes up, will be a great dampener on the recovery we need.

[The pandemic still haunts too many countries](#)

It is good news the U.K. case rate has collapsed and the death rate fallen sharply. Widespread vaccinations are clearly having a big impact. Other similar countries on the continent using lockdown without high vaccination rates have not seen anything like the same declines. That might start to change as we move into summer as it did last year before the vaccines arrived, as there was a seasonal pattern in 2020.

The UK's death rate is now the 13th highest for the pandemic to date, not the worst as some like to claim (deaths per million people on official worldometer figures). The case rate is 38th, continuing to show a higher death rate relative to cases than many other places. I still think this is more likely to be more death certificates attributing death to CV 19 when it was just present in a person with other possible causes of death, as otherwise it implies something wrong with the way the NHS treated UK patients. The EU has now had the most deaths in the world at 627,000 followed by the USA at 575,000. The current epicentres of the pandemic are Central Europe led by Hungary, Czechia and the Balkans, and Mexico, Peru and Brazil in Latin America. Mexico on her recently swollen numbers has more deaths per million than Brazil but well under the Central European levels. Italy with lockdown has overtaken the U.K. for deaths per million amongst the larger countries but remains well behind Belgium, Hungary, Czechia and some of the Balkan countries.

The figures continue to be problematic with different levels of reporting, different volumes of testing, different reliabilities on tests and with some different definitions. Nonetheless they provide some guide and have probably become more accurate over time as more testing is done and more understanding achieved. The theory that cutting contacts cuts transmission sounds very sensible. Surely the fewer people you meet and the less time you spend with them the less chance of catching the disease. However, there is no simple correlation between length and severity of lockdown with reduced disease, with some of the EU countries that have had long and strong lockdowns having bad numbers for cases and deaths. It may be their populations are more prone to the disease and still catch it despite much reduced social contact, but there is as yet no widely accepted explanation of why for example , Asia has been so much less affected than Europe.

It would be good to have more informed analysis from doctors and other experts in disease transmission on why the EU and some parts of Latin America have had much worse experiences than much of Asia. It does look as if the vaccines when offered to all those vulnerable make a huge difference to the death rate, and should allow a substantial relaxation in limits on personal freedoms and business activity.

The USA takes on tax havens

The main Opposition parties in the UK have long argued against tax havens. They oppose tax rules that exempt too many businesses or too much turnover from tax, and oppose any "race to the bottom" by countries seeking to undercut others with very low rates. They have a new powerful ally in Joe Biden who wants the world to sign up to a minimum rate of 21% on business profits and to definitions of where profits are booked that keeps them safely away from havens. The EU agrees.

What is odd is how the Opposition parties have failed to name and condemn the Republic of Ireland as one of the most successful exploiters of the tax haven approach. With a knock out low rate of 12.5% and favourable rules over definition and location of profits Ireland has attracted a large number of US multinationals and booked substantial parts of their business. President Biden and the U.K. left should have them at the top of their list of wrongdoers.

The Irish Policy has of course worked. The Republic's business bonanza means the state collects more from business as a proportion of its tax revenue than many countries who charge much higher rates of tax. Because so much more business turnover is booked in the Republic, Ireland emerges as one of the highest GDP per capita countries in the world. Irish per capita output and income is 166% above Spain, 136% above Italy, 94% above France, 86% above the U.K. and even 20% higher than the US from whose companies gets much of its extra business revenue. (2019 World Bank figures)

The Irish example both shows lower tax rates can deliver more revenue and more GDP, and shows that it entails switching turnover and profits around the world in legal ways to cut the effective tax rate. If Ireland had to levy a 21% tax she would get less inward investment and taxable turnover from large US multinationals. Her business tax revenue and GDP per head would sink. When will the President and the others united against tax havens name Ireland as one of the leading exemplars of the tax haven approach?

Grow back green

The main governments and political parties of the world only want to talk about one thing, the planned great green transition to net zero. They of course have to talk as well about getting on top of the virus and restoring economic life damaged by the anti pandemic policies they have all adopted. They usually link the two, by assuring us that they plan to grow back greener. They expect vaccines to take care of the virus problem.

This is a huge essay in world government. They do all grasp that there is no point in a few countries doing this whilst others take advantage of cheaper fossil fuel energy and expand on the back of it. Last year the USA, the world's largest economy, did not buy into the project. China the world's largest industrial economy, claimed to support, but carried on expanding her coal and other fossil fuel based output, promising reductions later this decade from a higher level. With the world's two largest economies not contributing to the cause it was more difficult for other countries to sell the idea to their public, as they could always ask what was the point if the world's two biggest carbon emitters were not trying to change tack. This year China is talking of bringing forward her conversion to starting to lower carbon dioxide, though that will need pinning down with more precise targets

and promises. The USA has converted to being a leading advocate of rapid transition to an electrified renewable world.

There will be no shortage of conferences to push countries to make more specific and expensive commitments. This month brings a US led summit on the topic. The G20 in July will have another. The UN's big global conference is in November in Glasgow. Countries will doubtless advance the dates by which they will achieve substantial cuts in carbon dioxide output. This in turn will spawn multiple targets to increase wind and solar power, to close coal power stations, to end new diesel and petrol cars, to promote battery vehicles, to change people over from gas central heating and to find solutions to power planes and ships in new ways. It will be a world of expanding battery production, hydrogen development and the electrification of home heating.

When asked how there will be growth as we come out of lockdown they all tell us the same thing. The new jobs will come in renewable energy, battery cars and the rest. They do not go on to say that there will also be big job losses in fossil fuels, traditional transport systems and home heating. A lot of the greening will be an expensive switch, retraining the gas fitter to be an electrician and moving a coal miner to be a wind farm maintenance person. As it seems likely governments will prove better at stopping people buying the outgoing technology than they will be at getting enough people to buy the replacements, there could be a painful transition.

The priority must be to generate a full and strong recovery from the pandemic measures. I am all in favour of investment in cleaner air and water, in energy conservation and fuel efficiency. The green revolution still needs to find the iconic products which people want to buy willingly to speed its pace. In default of those there is a danger governments will slow recovery by their success in putting people off traditional products in a range of sectors targeted by the green plans. Net zero will not restore our economies. There needs to be a wide range of policies to promote enterprise and jobs and these need to encompass recovery in a wide range of traditional activities as well as producing new battery cars and windfarms. .

Where will people work as we exit lockdown?

As we make slow progress out of lockdown there will be more discussion amongst businesses, Trade Unions and employees over where and when office work will take place. Many people will still have little choice. If you are a shop worker or factory staff you need to be there in person when the facility is open when it is your shift. Many others now see opening up the vista of keeping on with some homeworking after a year of working mainly or wholly

from their living room. Many companies have found they can continue to meet their customer needs and fulfil their work requirements on line with many working from remote locations.

For the employee there is the advantage of not having to get up early and rely on trains or buses to reach the office, nor having to sit in the traffic jam if you go by car. You save plenty of money on the season ticket or the fuel bill. Although there is more heating and wear and tear at home, there is a substantial time and cost saving by cutting out commuting. For all those employees who have to juggle minding and maintaining a home, and looking after children or elderly relatives with paid work, the conflicts are reduced and multi tasking just got easier.

For others often living on their own life became a lot lonelier with home working. Seeing work colleagues on a zoom meeting call is not the same as having lunch or after work drinks with them and being able to swap stories and arrange social events over the coffee maker. Those who live in smaller properties, or have well occupied homes with others needing the broadband capacity and some quiet space to make calls returning to the office gives them a better environment for what they need to do.

Employers seem divided or unsure about what they want. Some do think they need people back in the office to provide discipline and framework to people's working hours. They value the advantages of in person collaboration, informal meetings and idea generation. Others think they can exert discipline through the well monitored systems of computers logged into the company network and can ensure the outputs flow from the home location. Maybe the individual is also less fussy about the time of some requirements because they are at home and can break off for domestic needs during what turns out to be a longer working day. Maybe the bosses often with larger houses like homeworking themselves and see the need to allow some of the same for others. There is little study yet of what has happened to productivity or how the wins and losses net out. Clearly many business meetings requiring travel and stays away were expensive and time consuming. It may be as good as well as much cheaper to do those on line.

Many say they want a hybrid week. That probably means Mondays and Fridays at home . Is that a good compromise for employers? Would that maximise output as well as employee satisfaction? What would it do to our city office centres who have travel and hospitality capacity for millions five days a week?