

Big business and government

The government should not want to bail out big business or take share stakes in large companies. It should be helping and encouraging them to get more money from customers so they do not need bail outs. The policy is meant to be getting many more people back to work, preferably working from home. Taxpayers do not want shares in companies that are losing so much money they cannot finance themselves commercially from banks and the markets.

It is rumoured that Jaguar Land Rover might need government money. Yet this is a company with good products, that needs to sell more cars to generate the cash it needs. The government should be asking any car business that thinks it might want taxpayer aid the following questions:

Will its dealerships soon be open to sell cars observing social distancing assuming that gets the go ahead?

Meanwhile is the sales force available during normal business hours to sell on line and through email and Zoom/Teams meetings with customers?

Have they tried contacting their customer and customer enquiry lists to see if people will buy a new vehicle? Are they offering any special promotions to get the market moving again? Given the reported growing interest in people buying cheaper second hand cars as an alternative to public transport to get to work, isn't this a good time to encourage switching to a newer vehicle for people who are already owners?

The Bank of England and the commercial banks are making plenty of money available to those who need a car loan to buy or upgrade a vehicle.

The Treasury were right to offer short term generous assistance for the lock down period. Now we need to move on and find ways to get people back to work safely and wean companies off government life support.

The price of solidarity

For years Germany and the Netherlands have resisted any idea that the EU should borrow money together and spend it in the poorer areas of its territory. They wanted a currency union but not a benefits union, a monetary union but not a transfer union.

The dollar area or the sterling area are currency unions backed by self governing states. In each there are large transfers of money from the richer parts of the area to the poorer parts. These take the form of grants to local government from central taxation, grants to individuals through the benefits

system based on need, and common taxation raising more from the places where incomes are higher. As a city or county that suffers relatively low incomes cannot devalue against the richer places, it needs the grants to get its living standards closer to the national average.

Last week Germany and France came to an Agreement. They propose a Euro 500bn fund for the EU, to spend on recovery from the pandemic. The money will be borrowed by the EU as a whole, where each state stands behind the loans in proportion to the size of its economy. If the EU decides to spend proportionately more in the distressed areas of its territory, then it would have some mild element of redistribution about it.

Time will tell whether this is the first step on the full road to a transfer union, or whether this is a one off gesture soon to be watered down by delays in getting the money and by an approach that all states should have prizes in the lottery draw for the funds.

I have always thought those in the EU who argue they need a transfer union to complete their monetary union are right. The problem is the true price of solidarity and more equal standards will be very high for German and Dutch taxpayers. Is this a saleable proposition to them?

Promoting jobs

We now have the opportunity to get rid of regulations, taxes and charges imposed on us by the EU as we leave fully at the end of December. We need to use these freedoms to promote faster growth and more employment.

The government could begin by repealing the Ports Regulations. These were strongly opposed by our port industry when they were in negotiation, and are not relevant to the UK where our ports are mainly private sector owned competing businesses.

It could go on to make the Data Protection legislation less bureaucratic and more effective. The EU system has set off an avalanche of box ticking exercises, often impeding legitimate communication with groups of people who wish to be on mailing lists. Of course we need high standards of protecting sensitive data, but we do not need a system which stops legitimate sales promotion or information flows to people who want to be in touch.

We need to remove VAT from a variety of items often mentioned here.

We need to tear up the fishing regulations and replace them with UK based ones that are kinder to our fish and to our fishing industry.

Getting people back to work

It is time for government to come out with proposals that can make it easier to start or re start a business and to keep or create new jobs. Unemployment is already far too high thanks to the anti virus policies adopted, and is set to go higher as we limp out of lock down.

It is quite clear that there will need to be accelerated change in our economy to cope with the social distancing rules and the other changes that the pandemic has brought on. There will be more on line shopping and less shopping in physical stores. There will be more remote technology working in health and education, in leisure and office work. These big changes will require large companies to be adaptive, and will require many more new and smaller businesses to offer new models and services and provide the flexibility fast change needs.

Let's start with cutting into those great lists of the unemployed. Why not let any self employed person take on an employee or assistant, with the first year based on them being self employed. It is often the hassle of National Insurance, pensions and other paperwork that puts the self employed off expanding a successful business by taking on additional staff. Give them up to a year to work with someone to see how good it can be and to guide them into the idea of accepting full employer responsibilities. Alternatively it might lead them to adopt a partnership or franchise model with the new person. We need more self employed to expand their often successful businesses.

End the threat of IR35 changes. We are losing business to foreign companies, as large groups here worry about carrying on or taking on a UK self employed contractor for fear that their tax status will be queried at a later date.

Raise the VAT threshold to allow small business more activity before they need to go through the complex process of registering for VAT.

There were around 5 million self employed when the pandemic struck. We need to see them as an important part of our future, and give them every help to get going again and to grow their activities. Sometimes the Treasury seems to see them as a nuisance, seeking ways to tax them into working for a large employer or not working at all. It is a prejudice we cannot afford.

Public spending

It is right for the government to cushion individuals and businesses temporarily losing their incomes owing to the lock downs. It is right for the government to provide a fiscal boost to offset some of the massive deflationary forces unleashed by the global anti virus policies. It is not right to waste public money or add to the burden of the debt with marginal or unwise spending.

So I renew my list of spending reductions that are even more needed now, given the state of public finances.

1. Reduce overseas aid spending. It will exceed the 0.7% of GDP legal requirement this year given the fall in GDP unless it is reduced. Start by taking £1bn off plans.
2. Improve collection of the charges for use of the NHS by overseas visitors. It is a National, not a Global Health Service. Possible £400 million extra.
3. Cancel HS2 saving up to £100 bn over a period of years
4. Toughen enforcement against people trafficking to cut the costs of illegal migrants.
5. Insist on leaving the EU at the end of the year with no further payments to them. Savings of £1bn a month thereafter.
6. Stop Councils building property asset portfolios based on low cost public borrowing.