Lord Howell of Guildford in Debate on the Budget 2024

(Con)
*FOUR ISSUES ON WHICH WE NEEDED TO HEAR MORE*

My Lords, I am delighted to have the chance to follow that excellent maiden speech by my noble friend Lord Kempsell. He is absolutely right about the secret—I think he called it the lacuna—at the heart of government, which many commentators overlook. Promoting grand new programmes and promising this, that and the other is pretty easy; you can get very imaginative about future spending, particularly in the speech- writing department. But the harsh implementation—the actual details of getting these programmes through and evaluating whether they are getting anywhere near achieving the objectives one starts out with,with such high hopes—is quite another thing.

I cannot remember whether it was von Moltke or Clausewitz who said that the best-laid strategy never survives the first encounter with the enemy. There is so much talk about long-term strategy, but events, as Mr Macmillan long ago reminded us, tend to intervene, especially in a populist age when the Government are pressed every day, in this Chamber and the other place, to do more and more, yet have less and less actual control to be able to do so. These are the dilemmas of our times and I greatly look forward to hearing my noble friend’s counsels, based on his experience, on these numerous problems.

Turning to the Budget, the popular cry—and it is correct—is that we need more investment. What does the Budget do, what is the thinking surrounding it, and what steps are planned in changes in central Government to reinforce long-term public, private and public/private investment in the infrastructure of this nation, which gives it the strength and the momentum to go forward?

I suggest four key areas.

First, what encouragement for UK pension and insurance funds is there in the Budget or in government thinking? The Government may be a bit short of funds; they thought they were short of funds in 2010 and that there was no more money, but outside government there is a great deal of money. Pension and insurance funds have trillions ready to invest, and so do the sovereign wealth funds of other countries. I declare an interest as I advise one of the biggest. Of course, every time it comes to discussing where to invest, the need is to find investible projects. It is no use talking vaguely about long-term investment and social benefits; they are important and cost money, but when it comes to a return, what the private investor wants are investible projects—no white elephants or Sizewell C nuclear power stations, which I am disappointed to see is being planned. What are needed are clever arrangements with government backing on the public sector borrowing side as well as the private sector side. We have been halfway there, with the private finance initiatives of 20 and 30 years ago—they had a bad side but also some very good ones. This is where new creative thinking will be needed, under whatever Government, in the next few years.

Second, and following that, there is no hope of getting real momentum in our long-term investment structure, wherever the finance comes from, until the centre-of-government mess we have in this country is cleared up. We need to see the creation of a new office for management of the Budget reinforcing the Prime Minister’s cross-cutting control of major projects, as my noble friend Lord Maude recommended in his excellent report, which has not been evaluated and discussed nearly enough. It reflects very long-standing Conservative thinking; some of us were urging half a century ago that this is a necessary stage to get the whole of government infrastructure investment moving.

My noble friend Lord Maude’s recommendation was that:

“A new Office of Budget and Management (OBM) should be created. This would include HM Treasury’s current responsibilities for the allocation and control of public expenditure, together with the centres of the major cross-cutting functions—financial management, commercial procurement, digital, project delivery, human resources”.

I say “Hear, hear!” to that, as I have for decades. We will not get the infrastructure investment needed and real momentum behind it until that split in the Treasury is made and the Prime Minister’s strategic position is greatly reinforced.

Thirdly, what about the Chancellor’s growing commitments, which I listened to and greatly welcome, to increased retail investment in the financial sector, as well as investment from pensions and so on; for every family in the land to be shareholders; for wider ownership of all kinds; for shared community ownership, as is being developed in many other countries but not fast enough here; and for employee share ownership, which is widespread in the United States? The noble Lord, Lord Macpherson, mentioned the NatWest sale. I hope that is an opportunity for imaginative schemes to be developed. I think we will hear about just one of them later on from the noble Lord, Lord Lee of Trafford, which might help greatly.

Fourth and finally, economists all talk about raising productivity and ideas abound on how this should be done. There is one quite simple answer that gets overlooked: to encourage ourselves to be a nation that is highly attractive, even more than we do, for foreign direct investment. It has not been too bad but is not as powerful as it should be. I ask my noble friend: have we learned from the success of 1970 to 1990 in attracting an enormous wave of Japanese inward investment, which had the direct effect of increasing productivity? New machinery came in but, better than that, the old restrictive practices then being pushed much too hard by the trade unions were thrown out. The Japanese refused to work with those. Our car industry was rescued from its poor state, and from the last attentions of Mr Benn and others, and transformed. Our electronic industries were transformed and a lot of new investment was brought to the Welsh valleys.

These are the areas where the new momentum is now required. My noble friend Lord Harrington's excellent report makes some very useful recommendations on how to do it. They all point in the same direction of a much more powerful push at the centre than we have had in the past.

We need to become a financially literate nation—a nation that understands that investment means savings, which means organising those savings and drawing on them in a way that attracts in a steady stream. If we can get investment up, the benefits of it must be far more widely shared. Politicians mouth the phrase that capitalism must work for everyone; well, it clearly does not. It must be made to work for everyone and it can, in contrast to the distorted state capitalisms of Asia, such as the Chinese state capitalism, or the mafia gangster capitalism of Moscow.

We need to hear a lot more from the Conservative Government we have now, although I would hope to hear it from all parties and all Governments in this post-socialist age, about sharing the benefits of asset growth and investment for the people. That is the path we should be on, and I believe we should concentrate on it with much more vigour, whoever is in charge politically at Westminster, than we have in the last 50 years.

5.35pm