

Will a gloomy Treasury try to stop a budget for growth?

My forecasts show that if the UK has a budget soon which confirms the spending increases announced for next year and offers around £12bn of tax cuts, the economy should grow faster next year than this, assuming we leave on 31 October 2019 without signing the Withdrawal Agreement. As readers have seen, I allowed for some loss of export volume on agricultural exports affected by EU tariffs, some favourable import substitution on agricultural imports from the EU affected by our tariffs, maintained farm incomes from UK assistance to farms replacing EU, a boost from tax cuts and spending increases to domestic demand and savings of £12bn on public spending and the balance of payments from no more net EU contributions. Overall we could see up to an additional 1% gain of GDP on the growth rate depending on how far the fiscal reflation goes and depending on whether monetary policy would also be made supportive. Money policy is currently too tight and out of step with relaxations elsewhere in the Euro area, US, China and Japan.

The Treasury and OBR may want to paint a different picture. I read that they wish to suddenly introduce a £12bn non cash charge as an item of public spending to allow for student loans that may not be repaid. The Student loans scheme was first introduced in 1999 for tuition fees, was beefed up in 2004 when Labour trebled the tuition charge, and increased substantially again when the Coalition after 2010 put through a further trebling in tuition fees. All the time we have been in the EU seeking to get debt and deficit down in accordance with EU Maastricht criteria the Treasury has not thought it necessary to make early provision for possible loan losses. All of a sudden to coincide with the PM's stated exit date from the EU they decide they need to introduce an extra spending line item at exactly £12bn, roughly the amount of our net budget contributions to the EU. It was as if they wanted to say to Leave voters who want to spend that money on our priorities, we will make it vanish away even though nothing real changes for the student loan scheme the day we leave the EU.

Worse still, the OBR may want to issue economy forecasts that are pessimistic about growth if we just leave without the Withdrawal Agreement. This would be in line with wildly inaccurate short term Treasury forecasts made during the referendum saying the UK would enter recession in the first few months after voting to leave. Such forecasts would presumably suggest a bigger deficit, claiming that revenue will be down owing to less activity, and benefit spending up owing to more unemployment. Even under revised deficit control rules it would probably be used as an excuse to argue against the economic boost the economy clearly needs with or without Brexit.

The government needs to argue back. It needs to say that the OBR as an independent forecaster can of course forecast as it wishes, but the government does not have to rely on a forecast as unreliable as the Treasury 2016 pre referendum forecasts and can point to how wrong they have been in the past. The government should also make the good point that were any OBR

pessimistic forecast to be in the right direction it would strengthen the case even more for a stimulus to offset the feared downturn.

The current deficit is under good control. The state can afford to spend the savings on EU contributions and a bit more. Some of the tax cuts will actually raise more revenue, as some taxes are above the revenue maximising rate.

Good stewards of the planet

We share our lease on the planet with the rest of mankind during our lives. We should all want to pass it on in better environmental shape when we die. Each one of us can play our part and help use the planet's natural gifts in a sustainable and good neighbourly way.

Some constituents want to know what I am doing , so let me remind my readers.

I support planting many more trees. I have planted new trees in my constituency in public areas . I support the government's initiative to have more national forest, and local Council initiatives to have more trees and shrubs as a counter weight to more development.

I support local planning policies that protect more of our countryside, and wish to see slower rates of development in the next Plan.

I have cut food miles when buying from local shops. I now buy all my temperate foods from local or British sources to cut down lorry, ferry and airfreight transport.

When in London I now walk or use the tube for practically all journeys.

I usually take my holidays in the UK to avoid jet travel.

I avoid all single use plastic bags.

I use the Wokingham Council recycling facilities. I encourage better control of waste to prevent litter.

I have improved the thermal insulation, heating and heating controls at my home to cut energy use and improve thermal efficiency.

The government states its wish to be the greenest government ever. It should want to do more to extend out forests and areas of natural beauty, to protect our coast and fishing grounds, to control waste and to promote clean water and air. It should also do more to save energy, improve thermal efficiency and raise environmental standards throughout the public sector.

Run the trains on time

Transport Secretary Grant Shapps has announced changes to the way that train delays are recorded, benefiting consumers by making it easier to hold train companies serving Wokingham and West Berkshire to account. Under the old system, trains are considered delayed if they are 5 or 10 minutes late. This will now change to measuring punctuality to a single minute of its scheduled arrival time. This Government has made improving the punctuality of trains one of its top transport priorities and this new measure will make it easier to identify trains that are not performing as they should for passengers. Decent, reliable transport connections are vital, not just to boost growth and bring our regions together, but to rejuvenate some of the towns that often feel left behind in this country.

Under the Conservatives, the railways are undergoing the biggest modernisation since the Victorian times, with £48 billion being spent on new trains, track upgrades and making sure passengers have access to better and more reliable data. The new plans will also give passengers detailed information on the causes of train delays, ensuring passengers always feel that they are being provided with the best possible service.

What should a young person do with an inheritance or lottery win?

Let us now turn to wealth held by a few younger people. Let's consider the limited number of cases of someone who comes into a substantial sum by inheritance, or gift from a rich relative, or from a lottery win or some such. I am not going to consider in this article the profits of successful entrepreneurship by the young person.

Let's say they receive £500,000. Let's suppose they have no professional qualifications but did get a first degree in humanities or were educated to A level and now have an office job. Should they

Buy a good quality home with all the money?

Buy a home with part of the money and do something else with the rest?

Should they invest some or all of the cash in developing their own business?

Should they invest the money in shares and build a portfolio? Should they put some of the money into a pension fund?

Should they spend some of the money on training/education?

Tax may play a role in the decision. Putting as much money as possible into an ISA for share investing would provide freedom from income tax and CGT on the investment. Putting money into a pension fund also offers full tax shelter, but it locks the money up for years and a future government might change the rules against you before you can reclaim the cash. Investing in your own business can get you entrepreneurs relief from CGT. Buying a home exposes you to Stamp Duty but frees you from CGT.

The way to increase the young person's financial position the most would probably be to invest in a successful business for themselves. Given the risks what do you think would be the best course of action? How big a distortion is tax? What kind of a society do we want to be – more lawyers, more landlords or more entrepreneurs? Part of the purpose of these articles is as background to the budget, which presents a good opportunity to change the UK tax system in ways which reward effort, enterprise and saving, and drive faster growth as a result.

Parliament cannot govern

Our constitutional settlement combines the executive with the legislature. Government Ministers have to be Members of Parliament or peers in the Lords. The government executive puts proposals for laws, budgets and treaties to Parliament, and needs to secure a majority for each measure.

The role of Her Majesty's Opposition in Parliament is to expose government proposals to criticism, seeking to amend and improve them or seeking to vote them down if they are thought to be unacceptable. A wise Opposition also puts forward a constructive alternative, to appear as a government in waiting, a group of politicians capable of governing after an election.

Oppositions usually accept the government's right to govern, and its right to secure its major Manifesto proposals approved by the electorate in the last election. Her Majesty's loyal Opposition does not usually do deals with opponents of our nation, does not undermine the government in an international organisation and does not bad mouth the UK when representing us abroad.

It is particularly important that governments have the power to negotiate treaties and international agreements. It is not something Parliament can do. There are too many different views. Foreign countries would be reluctant to accept an envoy from Parliament other than the government, concerned about the extent to which they could claim to speak for the UK.

It is always the case that Parliament has the ultimate power to vote down a Treaty or international agreement it dislikes. This does not usually arise

because the government normally has a majority it can rely on, or has taken sufficient soundings to know it speaks for a majority.

It is particularly important when negotiating with the EU that Parliament does not undermine the government's negotiation. Ruling out leaving without signing the Withdrawal Agreement does undermine the government position, and is particularly bizarre given Parliament's justified dislike of the Withdrawal Agreement as drafted.

When opposition forces in Parliament say they do not trust the government to conduct the negotiation they do our country harm. Parliament has the power to remove the government if it really does lack confidence in it to negotiate well. It is a clear case of put up or shut up – either sack the government or allow it to conduct the negotiation as it wishes, with Parliament judging the results.