

A many deals but no Withdrawal Agreement Brexit can make us better off

The government should announce a boost to the UK economy in the event of us leaving the EU soon without signing the Withdrawal Agreement . The public wants some sensible optimism about our economic prospects based on the opportunities Brexit presents. The aim of policy should be to ensure a growth rate a little higher in our first year as an independent country than the present estimated growth rate assuming we stay under EU rules and making EU payments for another year. The present government has been persistently gloomy about Brexit for no good reason, and got all its post Brexit vote forecasts wrong by being too downbeat. There are already deals on customs co-operation, transport and government procurement available for an early exit.

A number of leadership candidates have been kind enough to ask for my thoughts on the economic impact of Brexit and the current state of the UK economy. In the interests of fairness I thought it best to set them out on this public forum for those who are in practice interested.

The policy of a combined fiscal and monetary squeeze which the authorities have followed since the spring of 2017 has had the predictable effect of slowing the UK more than is desirable. Two interest rate rises, the ending of Quantitative Easing, the withdrawal of special facilities to encourage bank lending, advice against car loans and top end mortgages, the overshoot in deficit reduction last year through much higher tax revenues, the continued impact of the last Chancellor's decision to slash buy to let investment through tax changes and increased Stamp Duty, and the decision to cut new car sales by a large hike in Vehicle Excise Duty have had a marked effect on the housing and car markets and more generally on demand and output.

The Treasury seem to think leaving soon would be an adverse shock to the UK economy. I think this is wrong. The Treasury has a habit of wildly inaccurate forecasts over the EU. They got the impact of the Exchange Rate Mechanism hopelessly wrong by failing to see the recession it would cause , and got the likely impact of voting to leave in the first place wrong by forecasting a recession with big job losses which did not happen. However, given that is the Treasury view, it means there is an even better case for taking some reflationary action in an exit budget. You should spend £20bn extra in 2019-20 on a mixture of higher public spending to improve public services, and tax cuts to promote business investment and growth. This would use up the £12bn saved on no more net contributions to the EU and offset some £8bn of unplanned additional fiscal tightening from increased tax revenues. The aim

is not to borrow more but to reduce borrowing further as economic growth picks up and as tax revenues expand in response to lower tax rates which maximise revenue..

This would produce a 1% gain to UK output and incomes, all things being equal. It would offset any reduction in exports from moving to tariffs on product sold to the EU, which on a net basis should be considerably less than 1% of GDP. Any loss of exports to the EU from tariffs and other frictions would be also partially set off by the likelihood of substituting more home production, by cheaper imports from non EU replacing some of the large import bill we experience from the EU and by additional exports to non EU. If we assume we cut our external tariff to the rest of the world in ways which encourage more trade and reciprocation as we sign new trade deals the outcome will be better. A fiscal boost now of 1% of GDP should mean after all positive and negative effects of leaving our GDP will perform better in 2019-20 than if we stayed in. There would be a clear favourable confidence effect once we were out, with businesses able to make decisions knowing exactly what our trading and other arrangements are. We may well be able to agree trade talks with the EU to start on exit, which would allow them and us to avoid new tariffs and trade barriers under Article 24 of the GATT.

The government should reverse the damaging increases in vehicle Excise Duty and create a more favourable tax regime especially for clean and low emission vehicles. It should remove all VAT from green products to encourage everything from better heating controls to insulation. It should remove VAT from domestic heating fuel to tackle fuel poverty and cut inflation further. The UK has not been able to do this as members of the EU. It should take the rate of Stamp Duty down to the levels that applied prior to the 2016 budget, as the government has experienced disappointing receipts from the higher rates. They have hit turnover and therefore tax revenues by being too high. The government should review buy to let investment taxes to allow more investment in the sector. It should make a further reduction to business rates especially for shops given the problems on the High Street.

Spending priorities should include more money for schools, the police and social care. As I know from my experiences in the Wokingham and West Berkshire Council areas, the lowest financed parts of the country like ours are struggling with low budgets for these crucial services. We also need an accelerated programme of transport investment. You have recently announced substantial extra sums for the NHS which is welcome but now needs careful direction to ensure the money is spent on the service improvements and the extra medical staff we need.

Many Leave voters see Brexit as a great opportunity. With the right budget

the UK economy could perform better. Now is the time to stop the monetary and fiscal squeeze, to back private sector growth with the right tax cuts, and to back public sector service improvements and investment growth where it is needed. The sooner we have a stimulus budget based on the Brexit bonus the better. World economies are slowing. Now is a good time to give things a boost.

What do you think of Michael Gove's candidature?



<https://johnredwoodsdiary.com/>

Michael Gove is an intelligent man who has always had an impact on any department he has been given as a Minister. Some rate his reforms of education highly, tackling the educational "blob". Others think he fell out with the teaching profession in a damaging way which did not help motivate them to reform exams and raise standards. He was not given time to see through his prison reform programme which looked interesting. At Environment he has become an energetic green, keen to tax and regulate to achieve green aims. His wish to curb plastic waste is generally popular.

He played an important role in the last leadership election by changing his mind on the suitability of his preferred candidate, Boris Johnson, on the eve of nominations. His decision to withdraw support from Boris Johnson whilst acting as his Campaign Manager led to Boris Johnson's withdrawal from the race and to the election of Mrs May. At the time Mr Gove told us he was not capable of being leader, followed by comments that he had changed his mind about his suitability.

Mr Gove previously joined the Vote Leave campaign and made some important media contributions to its success. When he rejoined the government he became a very strong proponent of Mrs May's Withdrawal Treaty, brushing aside criticisms that it is not Brexit, that it would delay our exit and undermine our negotiating position to eventually get out. Now that Mrs May's Agreement has gone down to a spectacular defeat, attracting just 9.1% support in a UK wide election, he needs to tell us why he thought it such a good idea and why we should still be considering it as part of the answer to our Brexit needs. It is difficult to believe even Mr Gove could sell it to the public, even if

he as capable of the unlikely skill of selling sell it to a shocked Labour party and driving it through the Commons against the wishes of Eurosceptic Conservative MPs.

I would be interested to hear the case for Mr Gove from those who do want him to be Prime Minister.

The Conservative leadership election

I have not yet decided who to back in the leadership election. I want to see who does put in Nomination papers, and want to hear their answers to two simple questions. I would also like to hear from Conservative members in Wokingham which two candidates they would most like to see on the final ballot paper at the end of the MP phase of the race.

The questions to candidates are

1. How will you get us out of the EU by or before October 31?
2. How will you develop a programme to expand our economy, raise living standards, raise our reputation in the world and restore our self confidence as a nation, using all the new freedoms we will have once out of the EU?

I will also write a few blogs on progress in the race. Today I will assess Rory Stewart's offer.

Mr Stewart has provided the most persistent advocacy of the May deal which has just gone down to the most crushing defeat in the history of the party. The only Conservative plank for the Euro election was that Withdrawal Agreement and it was opposed by more than 90% of the voters.

Mr Stewart thinks 17.4 million people were wrong to vote to just leave. He spent time in recent weeks telling me I was wrong not to understand the brilliance of the Withdrawal Agreement. He being a very intelligent man and an important part of the establishment exudes confidence in the Remain view and seems to think those of us who disagree lack understanding. He has an old fashioned last century view of UK politics, defining pro EU Libdem voters as centrists Conservative need to attract, whilst ignoring the 17.4 m Leave voters. He says he wants to unite the Conservative party yet he also says he could not serve in a Boris Johnson led government.

Euro elections in Wokingham

constituency

A number of people are trying to place on my website claims about the result in Wokingham in the Euro elections. I will not be posting these claims as they are based on the false assumption that the result for Wokingham Borough Council which was declared was the same as for Wokingham constituency which was not calculated or declared.

For the record, my constituency contains some wards from West Berkshire and some from Wokingham. In West Berkshire the Brexit party topped the poll, and in Wokingham Borough (which includes wards in Maidenhead, Bracknell and Reading East Parliamentary constituency) the Lib Dems topped the poll. In each case the top performing party only got 34% of the vote. This compares with the General election when the Conservatives got almost 57% of the vote in the actual Parliamentary constituency of Wokingham.

My job is to keep to the promises I made to electors in the 2017 election, and to seek to deliver on the mandate I received with a majority of the vote in that election.

Brexit won. MPs must now just get us out.

If The Lib Dems had won most seats in the Euro election would the BBC have spent the evening saying how well the Brexit party had done by coming second?

I congratulate the Brexit party on their win. I of course agreed with their central proposition that we should leave now without signing the Withdrawal Treaty.