

Austerity economics comes directly from EU policy and the Maastricht requirements

Sometimes important things are hidden in plain sight. The contentious policies of getting the UK budget deficit down below 3%, and getting state debt to fall as a percentage of GDP which have guided policy since the crash under Labour, Coalition and Conservative governments were made in Brussels. I supported the Labour and Coalition governments from 2009 saying annual borrowing was too high and needed curbing to avoid a crisis of confidence in the UK as a borrower, but have not agreed in recent years with the anti growth stance that the Maastricht state debt rules has encouraged in much Establishment thinking. These rules have been the background to low and no growth in several countries on the continent and to mass unemployment in much of the south and west of the Euro area.

Once a year the UK has a Parliamentary debate around a Treasury Statement on how we have got on in complying with the Maastricht rules. In the last three years the government has been able to report they are below the annual deficit ceiling, but have not until recently started the bigger task of getting state debt down to 60% of GDP. It is this latter rule which encouraged first Mr Osborne then Mr Hammond to resist tax cuts and spending increases that could have boosted the growth rate and improved our investment in transport or improved performance in education and training. Mr Osborne said he wanted to go further and faster than the outgoing Labour government in meeting the Maastricht requirements from 2010 onwards, inheriting big cuts in spending and tax rises from Labour who were also wedded to the policy. In practice he ended up by 2015 in achieving the extent of deficit reduction Labour were planning. He wisely alleviated the extreme cuts on capital spending Labour put into their forward budgets.

As we leave the EU it is time to rethink our economic guidelines. Of course we need to control annual deficits, but we should be less concerned about the debt as percentage of GDP at current levels, and less concerned about borrowing to invest where the public sector has genuinely worthwhile projects that can earn a decent return. As proof that our economic policy has been dominated by Maastricht, I reproduce below a few sentences from the ONS who have set out at length our dependence on the EU rules and our efforts to meet them.

ONS :

“•General government gross debt was £1,821.3 billion at the end of the financial year ending March 2019, equivalent to 85.2% of gross domestic product (GDP) and 25.2 percentage points above the reference value of 60% set out in the Protocol on the Excessive Deficit Procedure.

•General government gross debt first exceeded the 60% Maastricht reference value at the end of the financial year ending March 2010, when it was 69.6%

of GDP.

- General government deficit (or net borrowing) was £25.5 billion in the financial year ending March 2019, equivalent to 1.2% of GDP and 1.8 percentage points below the reference value of 3.0% set out in the Protocol on the Excessive Deficit Procedure.

- This is the third consecutive financial year in which general government deficit has been below the 3.0% Maastricht reference value.

The EU government debt and deficit statistical bulletin is published quarterly in January, April, July and October each year. This is to coincide with when the UK and other EU member states are required to report on their deficit (or net borrowing) and debt to the European Commission.

Article 126 of the Treaty on the Functioning of the EU obliges member states to avoid excessive budgetary deficits. The Protocol on the Excessive Deficit Procedure, annexed to the Maastricht Treaty, defines two criteria and reference values with which member states' governments should comply. “

[More money for Wokingham and West Berkshire schools](#)

I am looking forward to the Spending Statement on Wednesday which should confirm a substantial uplift for local schools. As I and some other MPs have been arguing, there will be an increase in the overall total going to the education budget, and an increased share of the bigger budget for areas like Wokingham and West Berkshire where schools have been at the bottom end of the range of per pupil money. I am wanting them to say there will be a £5000 per pupil minimum for a secondary school , with prospects of further rises in funding in the years ahead. We are promised a decent real terms increase giving the schools more spending power for teaching and other important items.

[The Chancellor's Autumn Spending Statement – we need a new fiscal](#)

framework

We are promised a Statement on Wednesday, and now know some of its contents from pledges made by the Prime Minister and Chancellor. We know that they will ensure every secondary school receives a minimum of £5000 per pupil per year of grant, and every primary school £4000. I have been pressing for this for some time as Wokingham and West Berkshire schools are at the bottom end of the English spending league tables, and need more cash. This was apparent in an unflattering tv account of a Wokingham School this week. The government will increase money for all schools, but see that the lowest funded get a larger increase to take them up to the new higher minimum. This is only fair, as it does not cost less to employ a teacher or buy some books in Wokingham than in a large city.

We know that the government will pay for an extra 20,000 police to be recruited and employed, and will increase money for Further Education Colleges. It has also announced an additional £1.8bn for the NHS, targeted particularly on 20 different hospitals in need of extra investment and revenue.

I assume this will be a prelude to an early budget this autumn which needs also to cut taxes. The UK economy is slowing too much, in line with the slowdowns in the Euro area but more than in the USA. The US economy has enjoyed faster growth thanks to big tax cuts, a spending boost and an easier money policy. The UK needs the same treatment, at a time of Euro slowdown. Most forecasters expect the UK to grow a bit faster than Germany or Italy, but we need to do better than current forecasts and that requires policy stimulus.

Some worry about the present level of state debt, and wish to follow the EU policy of cutting state debt from its current stated gross level of 85% to the 60% Maastricht target. The actual level of UK state debt is currently 65% of GDP, if you eliminate from the calculation the £435bn of gilts owned by the Bank of England who in turn are owned by the taxpayers. The annual deficit is now well under 2%, which in turn is well below the rate of investment by the state sector. These figures allow scope for some fiscal relaxation. A suitable new rule might be that we keep the idea of a ceiling of 3% on the budget deficit from the current rules, and aim to be at zero or below when the economy is growing at more than 2.5% with more risk of inflation. When the growth rate falls below 1% the government should go closer to a 3% deficit ceiling, with the deficit being borrowing to finance capital investment. This would be compatible with a normal current budget surplus, and with no current deficit in low growth periods. We can of course spend more and cut taxes more once we have stopped making large payments to the EU, which I wish to see from November.

Letter to constituents worried by a “No Deal” Brexit

I have received a dozen or so emails from constituents wanting me to oppose a “No Deal” Brexit. I have answered them individually, but as some have used a standard lobby email I thought I would offer my response more widely in case others are thinking of sending the standard one.

Dear Constituent

Thank you for your email. The government has said it would prefer a deal and is seeking one. It is however quite possible no good deal will be on offer, so we would then leave with no Withdrawal Agreement. We will of course leave with many other smaller agreements, covering issues like aviation, customs and haulage so we will carry on trading, under the umbrella of WTO rules. We know this works fine as it is how we currently conduct the majority of our trade which is with non EU countries.

I see Brexit as offering the opportunity of boosting our economy and providing more opportunity and prosperity to my constituents. I have proposed a Brexit budget with better funding for our important public services . It should also boost the general economy through tax cuts on working and enterprise. Our economy is being slowed by a needless fiscal squeeze and by the marked slowdown in the Eurozone currently underway. The first part of my wishes will come true with the government’s Spending statement offering substantial increases for Wokingham and West Berkshire schools, Thames Valley Police, FE Colleges and the NHS.

I have investigated thoroughly the scare stories being put out that we will be short of food and drugs owing to difficulties importing from the EU. I am pleased to assure you that the government has confirmed no major EU suppliers have announced cancellation of their contracts to supply us. The UK authorities have confirmed that they will ensure smooth passage of imports through all our ports of entry and will not need to check every consignment at the port as some seem to think. Calais is as keen as Dover to keep their business and see their port operating smoothly after our exit, whilst Antwerp and other Dutch and Belgian ports would dearly love more business if Calais did stumble. As today most trucks will pass through the borders based on their advance filing of a manifest, with any necessary Excise, VAT, tariff and other adjustments usually taking place electronically through the accounts of the principals or the logistics companies involved. Most Just in time supply chains currently handle both EU and non EU components. It is the duty of the supplier to send the items in good time to arrive on time. Just in time chains have regularly had to handle French strikes, bad road congestion and accidents on both sides of the Channel and train and ferry cancellations. The UK government is exempting components for use in UK factories from tariffs. This not only means no new tariff barrier on EU components but takes off the current tariff barrier on non EU components, helping the assemblers and offering them the prospect of some cheaper

supplies from non EU sources.

The UK may well sign Free Trade deals with non EU countries after we have left. There is no need to do any damage to the NHS or to our food standards in order to do so, and there will be a vigilant Parliament that would not allow any UK government to do such damage.

If there are other worries you have about our exit from the EU please let me know and I will do my best to reassure you or to get action to deal with the problem.

Yours sincerely

John Redwood

Car park petition

I went into Wokingham Town Centre this morning to thank those who were collecting signatures on a petition to the Car Park owners of the Euro park in Denmark Street to keep the park open. I support the request to keep the car park. There were plenty of people about in the town enjoying the late August sunshine and the new cafes, restaurants and shops. Many were willing to sing, as the car parks are needed close to the centre to make it easy for shoppers and leisure users of the Town facilities.