

# The future of the Euro



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Recently Mr Draghi, the outgoing President of the European Central Bank, gave a good lecture on the past and future of the currency he has defended and developed in recent years. He gave an honest account of the successes and failures of ECB policy and wider Euro policy by the EU since the foundation of the currency. He admitted that the EU had a bad banking crisis just like the USA and UK in 2008-9, but were slower to tackle the underlying weaknesses of their banks. He accepted that in its wish to be tough on inflation the ECB had been less helpful to output and jobs in the zone, with a measure of overdoing it. He rightly drew attention to the way unconventional measures including creating money to buy up government bonds saved the currency. He did not mention the Greek and Cypriot crises which are also an important part of the story.

The interesting thing he argued for the future was the need to create a “common fiscal stabilization instrument” as he thinks the overall fiscal stance of the Eurozone is too tight. His problem is that the countries that want fiscal expansion to boost their economies including Greece and Italy have very high levels of indebtedness which they cannot expand under EU rules. Mr Draghi recognises he cannot change these rules and maybe does not want to anyway. Meanwhile Germany with capacity to expand its spending, cut its taxes and borrow a bit more, does not want to.

It appears that Mr Draghi is proposing a bigger budget at EU level with borrowing at EU level as well. If the EU had a balance sheet that can be expanded by borrowing to offset overall fiscal tightness across the zone as a whole, that would deal with Mr Draghi’s worries about policy stance. There would, of course, be arguments about whether the zone should do any such thing, and if it did where the money should be spent and on what. A suitable scheme might for example allow the EU to borrow substantial sums for infrastructure investment, and then to orient them to the states in a weaker financial position or with lower incomes. This would provide a new mechanism to route some of the German surplus directly into the deficit states.

This is a big question for the incoming European Parliament and Commission. How far away are we from a bigger common EU budget, and a common EU balance sheet expanded to provide more demand and activity in the zone? Isn’t it a backdoor way to a transfer union?

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## Meeting with Environmental lobby last week

I have heard from three constituents who say they were greatly delayed trying to get to the lobby last week. I am sorry the Commons authorities were unable to help people get in more quickly. I felt I needed to make the agreed time and place for the appointment, and was told by the constituent who did attend that he had got through OK and had not seen others. I was unaware of the delays as Westminster Hall was full with other people visiting their MPs. I stayed there for half an hour in case others turned up. I was not told whilst waiting of the problems getting people in.

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## Visit to High Close School

I visited High Close School Wokingham at their request on Friday 28th June. I was pleased to see the good work they are doing with children with a range of special educational needs. It was particular pleasure to meet Teresa Mason, one of their teachers who has won an award for excellence in Special Needs and who let me see one of her lessons. It was well prepared and engaging with a clear purpose.

The Principal of the School showed me around. The boarding facilities and the equipment for design and meal preparation were particularly good. I wish them every continuing success.

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**“We don’t believe you” – the public is getting ever more frustrated with the MPs who say it is too difficult to just leave the EU**



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Tomorrow I will debate my book with three others at the Politeia event at lunch time. I will stress just how damaging to our democracy and to the credibility of the media the endless repetition of stupid scare stories has become. Those who invented the great Remain untruths in the first place have rested or ignored the good refutations provided. We are still lectured to believe Calais/Dover will seize up as a trade route when both ends have made clear it will work fine. We are still told we need to stockpile drugs though no-one has pointed to any major continental drug supplier of the NHS who intends to break contract and refuse to send more supplies. We are not told so often the planes will not fly any more.

So called serious journalists on the BBC use “fall off a cliff” and “cataclysm” as descriptors of a so called No deal without asking how or why, and without cross questioning the advocates of this shrill and stupid language. They decline to report the many agreements and arrangements put in place on both sides of the Channel to ease our exit without the Withdrawal Agreement. There is a marked reluctance to interview people with a more measured and sensible view of how we will trade once we have left. Indeed, we are not even invited on to explain how the present complex Irish border works for Excise, VAT and currency frictions or differences. The BBC seems to think the computer has not been invented, and never talks about electronic manifests and away from the border settlement of tax bills which happens today.

I wish to speak about what happens when a populist party or movement becomes the government, as in the USA, Italy and elsewhere and in the UK with the case of the Brexit policy the public has voted for. The governing institutions that attack populism have to adjust to the will of the people as reflected at the ballot box. There has to be a working together of the establishment and the challengers for the betterment of the voters. Establishments always used to accept democratic verdicts in the UK and USA. They have to show on both sides of the Atlantic that they respect the votes of the people, and can contribute genuine expertise to the task of carrying out the people’s wishes. They should not try to dream up false stories or abuse or twist powers to block the popular will.

The latest updated version of “We don’t believe you” about populism, is available through Amazon

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# Trade and tariffs

The G20 has produced no answers to the burning question of future trade relations between the USA and China. Mr Trump tells us he had a great meeting with President Xi, and talks will resume on the outstanding issues. He has conceded that he will not press ahead with the extra tariffs he threatened, whilst China has conceded that the tariffs already imposed remain whilst new talks are underway.

The USA has raised serious strategic and security issues over technology which are not easily resolved for the sake of a trade deal. The Huawei ban clearly worries China considerably. The USA has difficulties believing new Chinese promises to respect Intellectual Property and to trade fairly. The US wants China to take her tariffs down to US levels as they are currently skewed heavily in China's favour.

For her part China does not want to give in to what it sees as US bullying. Chinese military power and reach grows by the day, and China is extending her military authority throughout the Asian region. The US defence establishment is concerned about this, and seeks to preserve freedom of navigation in international waters.

The US President also keeps mentioning the big imbalance of trade the USA has with Germany/EU, especially in cars. He may wish to open a new front in his trade war over that. EU tariffs are four times the level of US tariffs on cars, which the US understandably challenges.

Most economists regard the trade war as a negative for the world economy and damaging to the US as well. Mr Trump sees extra Treasury revenues from the tariffs and expects the tariffs to lead to more domestic production and fewer imports. It seems likely that China – and Germany if the US attacks them too – have more to lose from this trade war. Their huge trade surpluses have led to this action by the USA, and the asymmetric tariffs and trade practices do need sorting out. They have many more exports at risk than the USA.