

# Getting growth back worldwide

Whilst the UK has been preoccupied by Brexit a far more important struggle for our prosperity has been going on globally about growth in the world economy. Markets have been signalling that Central banks are tightening money too much, and governments are still too wedded to austerity outside the USA.

The Euro economy has suffered most, with German national income and output falling in the third quarter of 2018 and still weak in the fourth quarter. Car output in particular has been hit by the Chinese slowdown, by regulatory change from the EU and by the pace of technical and regulatory change worldwide. The UK economy has performed better despite both a monetary and fiscal tightening last year of some severity.

The world's two giant economies, USA and China, have both followed tight money policies which have slowed them down. Interest rate sensitive areas like homes and cars have seen sales hit by dearer and scarcer credit. The Chinese stock market fell to half its elevated high of 2016, and Wall Street had a sharp sell off in November and December. It now looks as if both these leading economies will abate the severity a bit, which is necessary to sustain growth. China has announced lower reserve ratio requirements for banks, and the Fed has backed off full support for a more aggressive set of rate rises in 2019.

The Eurozone will have to announce no rate rises for the foreseeable future and no move to Quantitative tightening if it wants to avoid recession. It may end up allowing a little bit of fiscal relaxation as France struggles to respond to the gilet jaunes and as Italy's government insists on just a little less austerity. The problem is that without proper transfers within the Eurozone from taxpayers in rich countries to the poor in lower income countries they do need to keep up a stricter discipline. This bites more on the poorer areas in the zone, causing political tension and fuelling populist movements. With the AFD doing better in polls, the German government will need to get even tougher about budget controls on weaker Eurozone members, and reaffirm a no new grants or bail outs policy.

There is no great inflation problem the Central banks need to pre empt or control. There is a shortage of demand and slow real wage growth which sensible economic policies need to combat. The UK economy needs the £ 39 bn to spend over the next two years on a mixture of public service improvements and real wage boosting tax cuts.

There does need to be a better policy response in the UK to the collapse of car sales. The UK has made the general global situation worse at home by its big hike in Vehicle Excise duties and the uncertainty over future tax and regulatory policy towards diesels. With so much change in the air over future engine styles, autonomous vehicles and extent of urban controls over cars the traditional car makers are struggling. On both sides of the Atlantic monetary policy is also affecting the price and availability of car purchase loans.

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## Coalitions in the Commons?

To win a majority and sustain a government you need to be able to count. A majority in the Commons is 321 supporting MPs, when allowing for the Speaker and Sinn Fein who do not vote.

The natural majority is therefore Conservative 317 plus DUP 10, giving 327. The Conservatives could also form a majority with the SNP or Lib Dems on numbers, but there is clearly no wish on either side to do so, and huge differences of policy and attitude over Scottish independence, second referendum on the EU and other matters.

Labour would only form a majority coalition if it consolidated every party bar the Conservatives, which is also a political impossibility given the attitude of Labour to Northern Ireland and the DUP.

Some say as parties are split there could be a new coalition of the willing to put through a second referendum, or a Norway solution, or to cancel Brexit altogether. There simply are not the numbers to do that, all the time the two main parties oppose a second referendum and say we must leave.

We now know there are 71 Labour MPs willing to defy Mr Corbyn to speak out for a second referendum. With 35 SNP MPs and 12 Liberal democrats, also wanting a second vote, that makes a total of 108. In the unlikely event of Mrs May changing her mind over the desirability of a second vote, there would still be no majority for it, as at least the 110 Conservative anti Agreement MPs and the DUP would oppose it, a more numerous force than the 108 on the opposition benches. Mrs May does not want a second referendum. She presumably does not want to split the Conservative party on the issue. She must understand on current numbers a second referendum cannot pass. It is also very likely more than 110 Conservative MPs would defy any suggestion they voted for one.

We cannot be sure how many MPs want the so called Norway option. It is not official Labour policy and seems to have fewer Labour supporters than a second referendum, so similar considerations apply as with the second referendum. It has a couple of additional major problems. It would require the consent of the EU to a delay in Brexit, which would probably leave the EU saying the UK would still have to accept the Withdrawal Agreement and use the 21 month negotiating period in that to set it up if possible. It would also require the consent of existing EFTA members, and EU consent which would come if at all at a price. It would need the government to adopt that to carry out the negotiations.

There is then the official Labour policy, somewhat vaguely and erratically expressed, of staying in a customs union. This is sometimes linked with also being able to negotiate our own trade agreements, which would be incompatible with customs union membership. It is difficult to see how a majority would coalesce around this unless the government also made it official Conservative

policy, which would detach more than 110 Conservative MPs from supporting the government and make much of the Department of International Trade redundant. It is unlikely the EU would ever consent to the UK being in the customs union, having its own different trade arrangements with others, and not having to observe the laws and freedoms of the single market and make financial contributions at the same time.

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## The German establishment wants the UK to stay in the EU – of course they do

There should be no surprise that senior German government figures want the UK to stay in the EU. They show their scorn for democracy by asking for that and take us for fools. They want the UK to keep on paying huge sums of money to help with the costs of their political and monetary union which we have never wanted to join. They want the EU to write our laws for us to help their commercial interests. They want to keep UK tariffs high on cars and food from the rest of the world to ensure they run a huge trade surplus with us at the expense of UK consumers. If I were a German politician I would be desperate for the UK to sign the Withdrawal Agreement or cancel Article 50 as that would be great for Germany. It would also mean the UK looking stupid in the eyes of the rest of the world as we dithered and then climbed down over our future, saying we cannot manage to be independent and govern ourselves.

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## 70 days to Independence Day

Let's countdown to Independence and get ready to celebrate our exit.

There are only 37 days left when Parliament is in session and able to try to mess up or delay our passage to Independence.

Write to your MP today if they are showing signs of wanting to stop Brexit and remind them of their Manifesto promises and the result of the referendum and General Election.

The government should be discussing how we commemorate one of the great days of UK history, the day we restore an independent self governing democracy to these islands.

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## Parliament cannot be the executive

There are good reasons why governments propose and Parliament approves, improves or rejects. Parliament is well set up to challenge government, hold it to account, modify or remove its more foolish measures. Parliament is not set up to run competing policies, competing budgets and competing legislative programmes. That way chaos lies.

The rules of Parliament give certain advantages to the executive to allow budgets to be set and policies to be pursued. Those who divide up the jobs within the executive have to show they are in charge of the ruling party or governing coalition, and can command the House on big votes. It would not be wise to change all these rules today just because this particular government lost its way on its Brexit negotiations and lost its Agreement by ignoring many of its own usually loyal supporters. If Labour is serious about wanting to run the government in the future it is also not in their interests to create a Parliament which cannot accept government on any sustained and consistent basis.

When I told Parliament last week it is on trial, I meant it. The public are showing their disapproval at the negative approach of Parliament to Brexit and good government. They dislike the failure so far to deliver a good policy in the national interest to fulfil the promises made on Brexit during the referendum and in the 2017 election. These promises were made by both main national parties that hold the bulk of the seats in the Commons.

We have learned a few things over the last week. We now know there are 110 Conservative Eurosceptics – and 8 Remain Conservatives – prepared to defy a 3 line whip against a bad deal and bad policy towards Brexit. We know there are 71 Labour MPs who defy their leader by demanding a second referendum. Mrs May would be unwise to do a deal with them, the SNP and Lib Dems for a second referendum, as between them they would be fewer MPs than the 110 plus the 10 DUP she would lose over it.

I hear repeatedly there is no majority for leaving without a deal in Parliament. That is clearly right, were Parliament to have an academic motion on that topic. If, however, Parliament wants to stop Brexit without a deal, the only way is Brexit with a deal. No grouping within the Commons has come up with a possible deal that would both be agreeable to the EU and would command a majority of the Commons. It is also no use the Commons voting for some vague proposal if the government, charged with the task of actually negotiating with the EU thinks it undesirable or unachievable. The Commons rightly condemned a very bad deal this week. It has previously legislated to leave. So what then is the deal that could achieve the stated aim of those who want to leave with a deal?

The ERG favours the government tabling a comprehensive Free Trade Agreement as soon as possible. If the EU then agree to negotiate such an FTA after we

have left in March this year, the WTO would let us carry on trading on tariff free terms similar to today whilst we sought to finalise an FTA. That looks like the best way forward to leave with a deal.