

Beware of Central Banks who want things to be “normal”

In recent weeks there has been a big outbreak of pessimism about the future of the world economy. The US stock market has led the way down, just as it powered the optimism a year ago. Wall Street watchers turned worriers are alarmed at the way the Federal Reserve Board is tightening money in the name of creating a more normal policy. Their money supply growth has slowed noticeably. The Fed has put through a number of interest rate hikes to make borrowing dearer, and has started a big programme of Quantitative tightening, reducing the amount of government bonds it owns. This is double banking the monetary squeeze.

On the other side of the world the Chinese too are busily tightening their money supply. Worried by past build ups of debt and bad debts, they are requiring their banks and other financial institutions to go easy on the new credit and tidy up the old credits that have gone wrong at a faster pace. Money supply growth has fallen by a third as they adjust policy.

The Euro area too is slowly wanting to look a bit more “normal”, so it is cancelling all new money creation to buy bonds under Quantitative easing. Even the Japanese who can be relied on to print and buy bonds until the end of time are easing up on the amount of such bonds they buy and the money they create to do so.

The UK has put through two rate rises, ended all new Quantitative easing and has presided over a large drop in money growth, with credit for car and home purchase affected as we see in the output and transaction figures. These toughening monetary measures have reinforced the negative effects of higher taxes on car sales and some home transactions.

The danger is the pursuit of an old normal, with no QE and base rates above 3%, is not compatible with reasonable growth and is not necessary to contain inflation. The Central banks should be data dependent, and note the cooling of inflationary pressures with oil and commodities weak and plenty of global spare capacity and excess supply of many goods.

It is good news that despite the squeezes the latest UK PMI for manufacturing showed a decent rise and is indicating continued expansion. Demand is increasing, real wages are rising and businesses can expand. Those who wish to see everything through negative I don't like Brexit glasses say this is just stock building ahead of a possible no deal exit in March. There's an irony there. If as they think demand will fall on exit, why would anyone wish to increase their stocks ahead of such an event? If demand did fall – which I disagree with – stock levels would automatically be higher as a precautionary measure anyway without buying more stock. It is also interesting to see that the people who say the good PMI is just the result of people preparing for a no deal exit, are usually the same people who tell us no deal is not going to happen.

A majority of Conservative members oppose the Withdrawal Agreement

The only surprise in the latest poll is that 23% support the Withdrawal Agreement. Why on earth would anyone support it? If you want to leave it is the opposite of Brexit, locking us into the EU for an indeterminate period on bad terms with no guarantee of a future deal . If you want to remain you would think it better to stay in on current terms. The People's vote in 2016 decided to leave, confirmed by the results of the 2017 General Election, so we should do just that.

No, Mr Gove, the Withdrawal Agreement is not a good idea on any count

Mr Gove used to be in favour of Leave. Now we puts out the worst kind of Project Fear nonsense and seeks to prevent us leaving for at least another 2 years and maybe double that.

I have some straightforward questions for him:

1. When will he and Dr Fox publish the UK tariff schedule for March 30 2019 to trade under WTO rules? Our farmers and traders need to know now.
2. Will our tariff schedule set tariffs that are lower and fewer in number than we currently have to impose under EU rules?
3. What is the right balance between cutting tariffs on food to help the consumer, and keeping some tariff protection which will offer some protection against European imports for the first time?
4. What increase in UK market share in temperate foods is he aiming for once we do impose some tariffs on EU competitors?
5. Is he now going to write food production in as a central aim of his White Paper and legislation?
6. Is he going to keep environmental and health and safety and animal welfare levels the same as at present when we decide or is he going to legislate to improve them?
7. When will he announce a fishing policy that takes back control of our fishing grounds and allows our home based industry to expand?

Brexit is huge opportunity to cut food miles, grow more of our own food, to rescue our fishing grounds and land more of our own fish, and to build bigger food processing industries close to good agricultural supply. That requires

the Secretary of State to stop trying to delay Brexit and stop trying to scare us, and to get on with making some decisions and putting through legislation that will be good for UK farming and fishing.

Housing policy

The three stark requirements of the Barber Manifesto to solve the housing problems of the UK are to end Council house sales, to impose rent controls and to build more Council houses. Two of these proposals would make the situation worse.

The problem of UK housing has been caused by the potential demand outstripping the supply, leading to increases in the costs of buying or renting a property. The big increase in the number of people coming to our country in recent years has added to the demand side, with the addition of more than 250,000 people a year requiring substantial increases in housing provision. We need to ensure decent provision of homes for those coming to join our society, and to avoid letting down people already settled here. The impact in certain areas is clearly much greater, as the number of migrants is more than double the 250,000 net. To the extent that new migrants wish to live in popular parts of the country with high employment it can increase the demand for more homes in the most stressed parts, as in London and the south east, assuming those leaving the country were more widely spread out. The debate about how many people to invite in to our country and who should have a work permit is relevant to the housing issue. I favour sensible levels of inward migration with better controls over numbers seeking low paid employment.

The problem of supply is not improved by the first two measures in the 3 measures Manifesto. Contrary to the view of the left, selling a Council house to its tenant does not reduce the supply of housing or make things more difficult for people on the waiting list. The family will continue to live in the Council house whether rented or owned. The sale of the property can make a direct contribution to boosting supply, if the proceeds from sale are then used to help build more homes in the public sector.

Rent control is an attractive policy for all those who have a secure tenancy in a decent home and wish to carry on living there. Of course tenants would like their rents to stay the same rather than go up as inflation takes place. It is, however, not good news for landlords, developers and investors in rented property. Whilst there will be no tears shed for them on the left or in the fashionable media, they are essential to solving the housing problem. If rent controls are too draconian for owners then owners seek to sell their properties or to take them off the rental market in some other way. Tough rent controls discourage new investment in privately owned property to rent. The paradox of rent control policy is it can only succeed in holding down

some rents at the price of making property scarcer and probably dearer for those who do not yet have a rental contract for a home of their own. The recent experiment in Paris with rent control did not solve the housing scarcity in the central districts where it was applied, and eventually was ended by a court case. Cities that have experimented with long term tough rent controls have ended up with less housing than they need.

Of course building more homes will help meet the needs of families and is an important part of the answer. To do that we need to harness private capital as well as public capital. Meeting the aspiration of the many to own their own home should also be central to the policy. Selling social homes to their tenants is part of that, and is a policy that can free resources for more homes to be built.

[The Design Museum leaves out plenty of British icons](#)

I went to visit the Design Museum in Kensington as a fan of great design. I had hoped to see many iconic UK designs, as well as great American and continental European ones, as we have offered much innovation and elegance to the world. The collection was disappointing.

The vehicle selection centred on the chassis of a Model T Ford , a huge picture of a VW Beetle, commentary on Porsche and a picture and comment on a large Citroen saloon of the 1960s. I did not see any images of the amazing Mini which revolutionised and popularised small cars, nor any hint of the beauty of an E type Jaguar. There were no Rolls Royces or Morris Minors. There seemed to be some kind of block on UK vehicles. There was a Vespa scooter but no Triumph or Norton motorcycle.

Also missing were famous designs from JCB, Dyson, the makers of the stylish steam locomotives of the inter war years, the hovercraft and many other UK greats. There was little attempt to set out Art Nouveau or Deco with some of their many UK manifeststions.

There was a whole floor of the Gallery given over to Peter Barber, the architect who used it to display prominently a couple of large posters asserting a version of Labour's housing policy with no right of reply for those who are equally concerned about providing enough decent housing but who think the route proposed would be damaging. I will deal with this in a future blog.