

We will be full members of WTO on 30 March and trading under their rules

There is some nonsense about the WTO going around. Its a rehashed Project Fear story which makes no sense. The UK is a member of the WTO and will be a full member trading under the WTO rules when we leave the EU.

Well done Chris Grayling. Calais trade will be fine after Brexit

The Transport Secretary went to Calais this week and nailed the Project Fear lie that Calais would mount an economic blockade or go slow on UK traded goods if we just leave on 29 March next year. The Mayor of Calais made clear they value the UK business, and will ensure the port runs smoothly after Brexit. They realise the Dutch and Belgian ports would love to lift the trade off them. It was good to see a Minister rebutting a Project Fear nonsense.

The Budget judgement

The UK economy grew well until the spring of 2017. Policy was then changed to slow the economy by a combined fiscal and monetary squeeze. In the year that followed money growth halved. The combined effects of the 2016 property tax rises and the 2017 car tax rises damaged activity levels in the two largest purchases people make, homes and cars. The tax effects were reinforced by the reduction of credit availability. Money growth slowed thanks to higher interest rates, the removal of special Bank of England facilities to the commercial banks, and the Bank guidance to lend less on car loans , mortgages and consumer credit.

It is time to lift the squeeze. There is no great inflationary danger lurking in the UK economy. There is only a modest increase in wages. The world background is not inflationary, with some monetary tightening in the USA and the Euro area. This budget should not strive to get the UK deficit down further, and should seek to repair the damage done to individual sectors by past tax rises. The forecasts should be more realistic, after a run of forecasts which exaggerated the deficit.

The Prime Minister has said she will end austerity. This then is the budget to do so. Austerity is not just something in the public sector. It was what Labour delivered with the falls in output, jobs and real incomes at the end of the last decade. It has dragged on for some thanks to the slow recovery and the poor growth rates in earnings since the banking crash. To lift austerity we need to spend a bit more on some public services, and take less tax off people in work so they have more of their own money to spend. The good news is we can afford to do both. The Treasury regularly under estimates incoming revenue, and ends up cutting the deficit more than planned.

The UK has a modest state deficit these days, but a rather bigger balance of payments deficit. I have been more worried about the balance of payments deficit than the state deficit for some time. That deficit needs financing by either selling assets to foreigners, or borrowing from overseas. It has resulted from the very large trade deficit we run with the EU, dominated by large imports of food and cars and by the huge payments we make in EU contributions and Overseas aid. We could grow more of our own food and buy more of our own cars. This will depend in part on what tariffs we put in place for next March – or for any later exit date from the EU.

Ending the EU contributions will make an important contribution to cutting the balance of payments deficit. Today we have to sell a lot of assets to meet those contributions, as it is all money we need to send across the exchanges into Euros. Spending more of the overseas aid on the set up costs of the asylum seekers and economic migrants at home would also be a helpful option. Ending EU contributions also frees up that part of the budget for domestic spending or tax cut priorities.

Whiteknights Primary School announced as an English Hub

I have received the enclosed letter from the Secretary of State for Education. I would like to offer my congratulations to all the teachers & staff at Whiteknights Primary School, which has been chosen as an English Hub:

On 2 October, I announced the 32 schools chosen to be English Hubs, and support the teaching of literacy in primary schools. Each of these schools has demonstrated excellent practice in teaching reading to its young pupils, and has achieved great results. I am writing to you to confirm that Whiteknights Primary School in your constituency has been chosen as one of these hubs.

Each hub school will offer support in early language and literacy teaching to up to 170 primary schools, with a focus on supporting improved teaching in the reception year and key stage 1, particularly for schools with high

numbers of disadvantaged children. There will be an emphasis on improving the teaching of systematic synthetic phonics, which evidence shows is the most effective method for teaching the essential first steps in young children learning to read. We know that early communication and language skills underpin later educational success. Five years old children who struggle with language are about six times less likely to reach the expected standard in English at age 11 than children who had reached the expected standard of language at age 5.

Schools will be able to self-refer to the English Hubs programme by filling out an application form with their local hub. Hubs will offer half day showcase events, highlighting best practice in phonics and early language teaching, and will provide financial support to enable schools to buy resources including commercial phonics programmes. Some schools will be eligible for an audit of current provision, and in the second year of the programme hubs will provide an intensive programme of up to 6 days of in-school support in early language and literacy teaching for up to 20 local schools.

We will be funding English Hubs to carry out all the above activity. The precise amounts per hub have yet to be determined though, overall, we are committed to spending up to £26.3 million for the national network of English Hubs.

Yours ever

Damian Hinds
Secretary of State for Education

The UK budget – do no harm

The main thing I want from the Budget is no more damage to the UK economy from new and higher taxes. I see trailed a series of proposals on how to tax us more. There is no need for any such proposals. The government will have reluctantly to publish new forecasts showing, as predicted here, that their last forecasts were too pessimistic and they have raised more tax revenue than they expected. There is no excuse to put taxes up.

Indeed, as often argued here, if they cut some tax rates they would probably collect more revenue from the increase in activity the tax cut generated. In several areas they have imposed rates that are very damaging to output and transactions. As an act of policy they decided on tax hikes to cut Buy to let investing, and to cut diesel car sales sharply. They were successful in both cases. It doesn't mean it was a good idea.

When Mr Osborne proposed extra tax on hot take away food he had to back down in the face of opposition to the pasty tax. His caravan tax was not much more

popular either, resulting in an amended scheme. He got away with his big hike in Stamp duties, but we live today with the damage it has done to the housing market. It has put off many people from switching to more suitable accommodation, and has made it more difficult for buyers in the dearer areas to afford a new home. His Buy to let tax has pushed out the smaller investors, favouring companies, but leaving a much reduced demand to buy and provide private rented properties.

This could be the budget when the George Osborne damage is reversed. Let's go back to pre 2016 rates of Stamp Duty, to allow more people to afford a home, and to allow the market for homes to clear better. Why do we want to prevent people trading down to a smaller property, or moving to a place closer to their work? Why did Mr Osborne want to reduce work for estate agents, conveyancers, removal firms, renovators and furnishing businesses, as these all benefit from more transactions? If you tax dearer homes too much you can damage or stop chains of purchases and sales that may be necessary for people buying cheaper homes.

Mr Hammond did damage to the manufacture and sale of new diesel cars in the UK. This was an odd policy, given the government's alleged concerns about car manufacturing over Brexit matters. The imposition of very high Vehicle Excise Duty rates on new diesels provides an incentive to people to keep old diesels for longer, and has hit hard the UK manufacturers who have invested a lot in new cleaner diesel technology and who used to sell a lot of sophisticated diesel cars. The 25% fall in diesel car sales shows just how powerful the tax attack was. In this budget he should go back to 2016 levels of VED to help the UK industry, and to speed the change from dirtier old diesels to cleaner new diesels. The government says it is worried about levels of CO2 output. Diesels remain the better bet than petrol on this measure.

Cutting CGT would raise more money, as would cutting the 45% top rate of Income Tax. We need Income tax cuts for all, which I will discuss in a future piece.