

## Domestic production and state aid

As we leave the EU we need to create our own approach to preventing unfair competition and avoiding unacceptable subsidies. The very wide ranging EU regime under the control of the Commission and Court can be too long winded and unfair itself.

There are some industries which can benefit from exit from the EU once we can change the rules. Fish is the most obvious which I have talked about before. As we take control of our fish stocks again we need to stimulate a larger domestic fishing fleet to capture a much larger proportion of a smaller total catch. This in turn can act as a means of creating a larger fish processing and related food products industry.

Farming too can be given a domestic boost by leaving the restrictions of the CAP and providing a system of financial support which encourages more domestic food production.

When we leave we will also be able to strengthen our domestic capability to provide the weapons, vehicles and protection that our armed forces require from their suppliers. When the government wishes to buy naval vessels or aircraft or body armour or small weapons the competition should preferably be organised for domestic producers so that the technology and ability to scale up production rests here in the UK should need ever arise created by a larger conflict. We can rebuild parts of our defence industries that have been run down in recent decades as a result of smaller budgets and shared procurement.

Where we wish to buy good products from allies that are already available we should seek the capacity to make them in whole or part under licence, to have access to the technology, or have an alternative we can control in the event of disagreements. Of course there are benefits from sharing ideas with allies and from buying from each other, but there needs to be fair give and take and satisfactory arrangements to ensure we have the ability to replace and repair the weapons in any circumstances.

---

## Going for growth

It needs to be easier to set up a business, to work for yourself, to take on your first employee, to find new premises and to expand a larger business. All these barriers to growth need examining and changing if we are to achieve the government's ambitious target of 2.8% growth from here. Today we need to look at the regulatory framework and the relationship with government.

The government has rightly made clear it has no wish to lower employment standards or weaken health and safety and other essential protections. There

remain many opportunities to make life easier for businesses without making it worse for employees or neighbours.

More freeports offer the opportunity to run a business which brings in imported raw materials and components, transforms them into goods and export them without having to pay tariffs and taxes until you sell them on and make a profit. It cuts down the paperwork and promotes lower cost production.

More Enterprise zones allow business to obtain better capital allowances or business rate relief. They could also offer simplified planning and access to cheaper land with permissions.

As the government steps up its funding of science and technology in schools and universities, it should also encourage university/business collaboration and offer contracts which foster business spin off from research. The very successful Oxford and Cambridge clusters of research and business parks can be replicated elsewhere and grown everywhere.

The government will want to improve FE, technical and vocational training and ensure accessibility for all ages and experience levels. Training a better workforce is central to raising productivity which allow higher pay and the fulfilment of more individual ambitions.

---

## 2.8% growth would be great

The Chancellor gave us an upbeat message yesterday in his FT interview. He is putting growth at the forefront of his economic policy, as I urged. He thinks we can achieve the average growth rate since 1945 of 2-.7-2.8%. It's a bold ambition, given the poor rates of growth we have witnessed in the advanced world since the banking crash and Great Recession in 2008-9. Most forecasters now think the trend rate of growth is more like 2% than 3% from here, with some now thinking the UK and the Euro area can only manage 1.5%.

On Tuesday I am leading a debate in Westminster Hall for 90 minutes on how we can put in place a Growth strategy. We clearly need to reverse Mr Hammond's fiscal squeeze, as the government has promised to do. The state debt rules hold the EU in thrall and help keep growth down because they keep taxes up. They do not flex for the Laffer effects of lower rates bringing in more growth and in due course more revenue. The USA went for big tax cuts in 2016 and delivered much faster growth than the EU as a result.

We clearly need the Bank of England to get in line with all the main Central Banks of the world and have a policy which fights slowdown and recession instead of promoting slowdown. I have written plenty about that since the spring of 2017 when the Bank started to tighten.

Today in preparation for the debate I am asking for ideas on which taxes and

which tax rates should we cut to get faster growth. There are three broad categories, tax on transactions , tax on work and income, and taxes on growing a company and owning and managing assets. Some of the tax rate cuts could bring in more revenue,. some will result in lower revenue.

Transaction tax cuts to consider that could boost growth include Stamp Duties, Vehicle Excise Duty, and VAT on some purchases.

Taxes on employment and income include Income Tax, National Insurance., the Apprenticeship levy, and IR35.

Taxes on managing and owning businesses and assets include Capital Gains Tax And Business rates .

---

## Shooting down an airliner

It has been widely accepted that the Iranian authorities made a tragic mistake. They now confess that they wrongly thought a civil airliner with 176 people on board was an incoming cruise missile.

In a world desperate to calm tensions it is probably wise to accept the latest Iranian explanation of what happened. It is important, however, that Iran learns the lessons of this tragedy. The plane they shot down had only just taken off from their main civilian airport. It had been given clearance by the Iranian authorities for take off, and must still have been in closely controlled airspace adjacent to the airport. Their military need to know of civilian movements from a central civil aviation hub under the control of their government. They could always instruct the airport to avoid take offs at times of high tension where and when they might unleash missiles.

It appears that many people in Iran are now angry with their government over the delay in offering this latest explanation of the last seconds of the airliner, which in turn is reminding them of their dislike of other features of the Iranian regime. Iran's stance supporting various terrorist movements around the Middle East, and backing proxy wars against Saudi Arabia and other Sunni states has led the USA to impose strong sanctions on Iran. These are gradually damaging the Iranian economy, and are forcing Iran to find sales outlets for her oil away from traditional markets in the West. Some Iranians also dislike the disregard for personal freedoms and the limited adherence to human rights.

Mr Trump clearly still does not want to go to war with Iran. Because he had signalled his wish to avoid military encounters in the Middle East he felt Iran saw this as weakness and thought they could attack the USA and her friends in the area as they chose. The President countered with an unexpected targeted attack on the high command of Iran. It was a formidable demonstration of the powers of US military technology, knowing exactly where

a named individual would be and being able to kill him from a distance with no US individual needed anywhere near the scene. The Iranian government thought they saw an opportunity to speed the USA's departure from the Middle East, hoping they could accelerate US withdrawal of troops from Iraq.

The US President hopes he has found a technological answer to so called asymmetric warfare. If Iran uses terrorist groups and informal armies to kill Americans and damage US installations, the USA will use precision to kill the leaders responsible. The danger is a possible escalation. The fact that so many Iranian people now think their government has gone too far is a better augury. Any sensible person wants peace, which means different future conduct by Iran to be matched by the USA responding favourably to such moves.

---

## The Bank of England wobbles

Members of the Monetary Policy Committee are now telling us that maybe they should cut interest rates after all. Having watched as their tight money policies predictably slow the economy, they now express surprise at what they have done and seek some change of tack.

I am not proposing a 25 bp rate cut. I would urge them to look at the substantial tightening their Bank has undertaken through changes to the capital buffers, tough guidance on lending and the cessation of the Funding for Lending scheme. There is practically no money growth in the UK, implying continued slow performance from the economy.

Meanwhile the reintroduction of Quantitative Easing by the ECB has led to a spurt of money growth which probably heralds some pick up in the economy later this year. The Fed has stimulated a sharp rise in money growth in the USA which probably means a decent recovery for an economy still growing faster than the other advanced countries as the year advances.

Why has it taken the Bank so long to notice the obvious? Why are they still so out of line with all the other major Central Banks of the world? This institution got the ERM comprehensively wrong, the banking crisis and great recession hopelessly wrong and now is getting the world slowdown wrong.