

# The twin deficits

For several years the UK economic debate has been fixated by the state deficit and borrowing requirement, and has largely ignored the balance of payments deficit. I presume this is because of official adherence to all EU rules and guidance, so they have been trying to get our budget deficit back down to Maastricht compliance levels at under 3% of GDP. There is celebration this month because at last we have got there thanks to a further surge in tax revenues that outperform the usual Treasury pessimistic forecasts that delight in getting it wrong.

I have not been worried about the state deficit for sometime, ever since Mr Brown found out that the UK state can literally print money to pay its bills. Mr Osborne, originally a critic of this in opposition, then discovered its charms in office as well. It turned out to have no adverse consequences on shop price inflation, though of course it caused massive price inflation in government bonds, because it was accompanied by severe pressure against bank lending to the private sector to avoid an inflationary blow off. I always adjust the outstanding debt by the £435 bn the state has bought up, as this is in no sense a debt we owe. So our government borrowing level (excluding future state pensions which some here worry about and which have always been pay as you go out of taxation) is modest by world standards at around 65% of GDP, and at current interest rates is affordable.

Most of the state debt we owe to each other anyway. The government owes it to taxpayers who own the debt in their pension funds and insurance policies. The state can always raise enough money to pay the domestic bills backed by the huge powers to tax, and as we have just seen when credit expansion and inflation are low it can also use liquidity created by the monetary authorities.

The deficit I worry about much more is our external deficit. That is the one where we have to buy foreign currencies to pay for it. It is the reason why we keep selling some of our best property and business assets to foreigners, and why we have to borrow abroad. Running at around 5% of GDP it is high by world standards, and means we gradually get into more debt or sell more assets to keep up with it. When you owe money to foreigners they may not accept money created to pay them off but will need real assets.

One quarter of the payments deficit is the government's payments abroad for EU contributions and overseas aid. Stopping the EU payments halves that, and spending more of our overseas aid on the refugees who come to the UK here in the UK would help as well. Under overseas aid rules you can include the first year costs of refugees and migrants in your own country, and supplies and capital items you need to provide aid abroad. So let's make sure where appropriate we do spend the aid money at home or in the country we are helping, rather than buying imports from other advanced countries with it. One of the big wins from Brexit should be the opportunity to slash the big deficit in fish and food which is an important part of the burden of this overseas drag on our finances. I want the Treasury to take the balance of

payments deficit more seriously and to act as a counter to those who want us to give more money away to the EU to perpetuate this large imbalance.

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## **Bad weather and the roads**

It is good to be able to drive around our local area again more easily and to walk the pavements without fear of slipping on ice, slush and snow.

I will be talking to the national and local roads administrators about the experiences people had of the latest freeze. I would be interested in comments from constituents about how well the national and local authorities dealt with the emergency and how things could be improved next time.

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## **Media interviews on Brexit**

It is commonplace for tv programmes on the BBC and even on some independent channels to interview far more Remain than Brexit sympathisers, and to give them more uninterrupted airtime. Doing some interviews again this week I was reminded how bizarre it sometimes is.

There is first the test they sometimes apply to you. They ask if you would be willing to come on. When you say you will they then interview you for the task to see if they think your views are the ones they wish you to have for the sake of their programme. Sometimes they drop you, presumably because your views are not stupid or extreme.

Then there is the barrage of interruptions when you are on, if you dare to say sensible and moderate things. They are constantly putting words in your mouth that you have never uttered or thought, and you have to spend the interview denying their words are or ever have been your views. They are particularly hostile to new points or points they have not heard before.

If you look as if you are going to answer a question they think should floor you, they interrupt with another one in the hope that you will not have an answer to that.

I can't remember on Brexit when I was last asked an original or different question. The whole debate is repetitious, going over the same old lines we rehearsed on both sides endlessly for the referendum campaign. Every day is Groundhog day. We have debated at length the issue of membership of the Customs Union and single market, and the Commons has twice decisively voted against remaining in either. Now Labour wants to do it all over again as some

Labour MPs have apparently changed their mind and wish to ditch their Manifesto on this matter. So the media then goes through it all over again. There is little likelihood of another Commons vote before Easter on this.

It is easy for the media to know what I am likely to say, because my views are all set out on every issue they raise on this topic on this website. Most of them interviewing me seem to be briefed by researchers that have never read my actual views, yet nonetheless reckon they know them better than I do.

Some in the media still have not grasped that the Northern Ireland/Republic of Ireland border is already a complex border with a different currency, different Excise taxes, VAT and Income taxes either side which need sorting out as goods move across. This does not need a man or woman in a kiosk on the border doing the sums whilst vans and lorries wait. It is all done electronically. So why can't the new arrangements be done similarly? Have these interviewers ever heard of TIR, Authorised Economic Operators, and electronic manifests? If not, it is difficult for them to ask sensible questions of those who think all this means watch towers and Customs officers holding everyone up which no-one wants and we do not need.

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## **Cake and eat it**

The whole point about having cake is to eat it. If we do a good deal with the EU both sides can have their cake and eat it. If a deal means too little cake for one side there's no point in the deal. No Deal will let us eat more cake than a bad deal.

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## **Good news for industrial investment in post Brexit UK**

As we are constantly hearing cautionary remarks from trade bodies, from the motor industry and sometimes even from companies like Airbus about their future in the UK as manufacturers, it might be a good time to examine what they are actually doing rather than listening to remarks which become highly spun and negative.

Toyota has announced a £240 million investment at Burnaston and will make its new Auris model there.

Nissan is going ahead with a 20% increase in its production capacity in

Sunderland. It is also planning to raise the proportion of UK manufactured components used from 40% to 80%. This is important for rules of origin under WTO rules and is in line with government policy to encourage a higher local sourced percentage.

Aston Martin announced its new factory in St Athan's before the referendum but has since confirmed it and announced deals with Japan and China to underpin the expansion. That second factory will make a new model.

Airbus has carried on with its investment and said it is still "very highly committed to the UK" whilst also pressing for a close future relationship with the EU

Siemens has announced a £200 million new plant for Goole in Yorkshire to make trains. In December 2016 after the vote it also committed £310 m to a wind turbine blade plant in Hull.