The IMF would not win an election in the UK

The IMF was one of several international bodies and opinion formers who wanted the UK to stay in the EU. They misjudged that call, misunderstanding UK voters. Now they have issued an update report telling us that we have to take strong policy action to succeed. Their remedy is to abolish the regular increases in the state retirement pension which they think is too generous, and to put through a series of tax increases. They want to hike VAT on heating fuel from 5% to 20%, and to put up taxes on the self employed.

What a bizarre and negative mix. Why do they recommend this? Because they say our state debt to GDP is too high, yet it is very similar to the USA and below the levels in Japan, France, Austria, Italy and some other advanced countries. They fail to recognise that the state has bought in a substantial part of the debt they claim to be worried about.

It is difficult to see how taxing the self employed more would help innovation and economic flexibility. It would hit one of the flourishing areas of UK growth. Nor is it easy to see why pushing more people on low incomes into fuel poverty through a massive tax hike on domestic fuel would be a good idea. Nor does removing spending power from pensioners help promote a faster growing economy. This ticket would never win a UK election, and proves again UK voters are more sensible than the IMF.

The IMF does not even seem to be good at forecasting the UK economy. They were too gloomy about the likely short term impact of the vote. They now make much of the slightly slower rate of growth in 2017 compared to 2016, and blame Brexit. If they analysed the figures better they would see growth speeded up a bit after the Brexit vote, and started to slow in 2017 thanks to action to slow the economy taken by their friends at the Bank of England! The Bank has put up rates, sought to tighten car loans and consumer credit, stopped QE and is now withdrawing special lines of credit to the commercial banks. At the same time the European Central Bank has kept interest rates at zero, has printed a lot more money and has not restrained bank credit.

So could we have a bit more analysis and a bit less policy prescription? Oh, and they do condemn UK educational standards at the same time. No mention of the world class universities in the global top ten.

That Boris speech

We know that the Foreign Secretary’s speech today was checked and approved by 10 Downing Street, and is a statement of government policy.

It is clear from the text that it remains government policy that we will leave the EU, the Customs Union and the single market in accordance with the Article 50 letter and Act, and the EU Withdrawal Bill.
It is also clear from the text that the UK will regain control of its laws and regulations, and will take the powers necessary to amend and improve the law codes once out as we see fit.

This should come as no surprise to all those who have followed the votes in the Commons on the Bill or who have read the PM's two speeches on this topic. It will nonetheless come as a surprise to those who have been writing that the government is about to reinvent the or a customs union, forego an independent trade policy, and accept the need to follow all new EU laws.

The speech does not offer us any guidance on whether we need and will accept a so called Transition period, or on whether we will agree to a substantial payment to the EU on departure. I assume the speech is silent on these matters because nothing is agreed until everything is agreed, and much has not even been discussed so far. I still see no need for a transition or for payments all the time nothing good is offered that we will transit to.

The railways are largely nationalised

It is misleading to say we can nationalise the railways and this will solve all their problems. The bulk of the assets are already nationalised through Network Rail. The state owns all the tracks, signals, most of the stations, trackside assets and the land the railway uses. The main reason for the high cost of rail fares and the high taxpayer subsidy is the high cost of providing the large infrastructure the railway requires, and maintaining and improving it.

Quite often the reasons for failures of service rest with the performance of Network Rail. The wrong kind of snow or leaves on the track, signal failure, bent rails, failure of station equipment are regular reasons why trains are late or cancelled.

The private sector part of the railway on most lines is the provision and operation of trains that use the railway. These too can lead to delays and cancellations. If you hear staff are on strike, or a train driver has failed to turn up, or the engine breaks down, that is the private sector part letting you down.

The private sector is very circumscribed now in what it can and cannot change on the railway. It has to run a timetable laid down by government. It is often unable to get train slots on the tracks to expand or vary its service. Many fares are controlled. It can change the catering and on board train offer, but does not control the arrangements for ticketing, waiting on stations and the general service provided for passengers when not on board.

Some parts of the private sector have failed to reach good agreements with their staff to ensure smooth running of the trains. Is there any reason to suppose if the workforce was nationalised it would be any easier to reach an agreement to use the Guards for customer support? Nationalised industries had poor records when it came to employee relations. Labour's In place of strife approach when in government failed, and Labour lost in 1979 following bruising public sector strikes.

There is plenty of scope to apply new technology to the railways to improve service and raise productivity. As there is also plenty of scope to grow usage of the trains, there is no need for redundancies. The present mixed model is struggling to bring about the changes that are needed. A fully nationalised model, on the evidence of past experience, would fare even worse.

John Redwood visits Reading University

John Redwood visited Reading University on Friday and gave a talk on the constitutional and legal background to Brexit to a Politics class. He set out the two sides in the referendum, the positions taken by the three main parties in the 2017 General election, and the result of votes on leaving and on the Customs Union in the Commons.

UK inflation hit by energy costs

UK inflation was unchanged in January compared to December.
Housing made the largest contribution to the annual rise of 2.7% (CPIH) at 0.52%. This includes the impact of higher water, electricity and gas bills and the Council Tax. Motor fuel made the second largest contribution at 0.43% reflecting the further dollar rise in oil prices partially offset by the strength of the pound against the dollar. The third highest contributor was recreation and culture at 0.41%. These are domestic charges for entry to events and places of interest. These three items accounted for one half of the rise.

Other commentators may tell you motor fuel contributed to a fall and recreation contributed to the rise, as they compare the rate of increase this January with the rate the preceding January. This however can be misleading, as what matters most is the actual contributions of each item to the total in the month in question.

Those commentators who keep telling us the inflation is all to do with a fall in sterling should be asked why they hold this view when the three largest contributions had nothing to do with sterling, or in one case benefitted from a rise in sterling against the dollar in recent months.