[“A £60 billion Brexit fund”?]

I awoke to an odd headline yesterday in the Sunday Times. The Chancellor we were told is going to set up a £60bn Brexit fighting fund.

Fortunately the Chancellor’s own words in the same newspaper said no such thing. It was a silly headline. The government is scheduled to continue borrowing a bit more each year up to 2020, beyond our likely date of exit. The additional borrowing each year is now well down on the peak rates of the previous decade, and will continue to fall this Parliament. All the time we are adding a bit to state borrowing we cannot create a fund out of tax revenues.

Nor did the Chancellor write that there can be no net increase in spending in the March budget. He acknowledged that growth has come in faster and the revenues higher than forecast in the Autumn Statement. He has pre announced more money for vocational training and hinted at more spending on social care. He of course states his wish to see continued progress this Parliament in cutting the deficit further but has not said he wishes to stop all new borrowing. He will have some options as the Treasury and OBR correct some of their forecasting mistakes from the Autumn.

The headline about a Brexit fund is doubly misleading. The sum involved just happens to be the sum the rest of the EU would like us to pay as an exit payment. That is why we must rush to explain to them there is no such fund, no such money, as well as telling them there is no liability for us to have to pay. Nor does Brexit require a special fund. The future path of the UK economy is going to be mainly influenced by interest rates, the performance of the US and global economy, world commodity prices and their impact on inflation, and by the balance of domestic fiscal and monetary policy. In other words after Brexit as before the main determinants of our performance will have nothing to do with whether we are in or out of the EU, just as our past performance clearly got no visible benefit out of being a member of the EU internal market. Inflation is rising as many have predicted, but so far UK inflation has risen in line with US and German because it is led by world oil prices, not by the fall in sterling.

In the EU we experienced two great crashes. One was caused directly by EU policy when we fell out of the mad and dangerous Exchange Rate Mechanism and plunged into recession. The second, the Great Recession and banking crash of 2008-9 was a common crash in the USA, the Euro area and the UK brought on by similar Central Banking and commercial banking mistakes in all three zones. The EU did not cushion or ameliorate the problems, and then added their own twist of the recessionary knife with the Euro crisis that followed.

Let’s hope our authorities have learned from these bitter experiences so we have a good economic performance as we leave the EU. To do so we need interest rates that allow continued expansion without damaging the pound further, as the US hikes her rates. We need some relaxation of credit for good projects, home purchase and other affordable purposes in the private sector, and we need accelerated rates on investment in infrastructure to catch up with our needs.