Continuity in US policy

The strong disagreements between President Trump and President Biden were well followed and heightened by media comment in the run up to and aftermath of the election. They reflected some big policy differences as well as a chasm over style, behaviour and the results of the election. Where Mr Trump wanted to limit immigration President Biden wanted to make it easier. Where President Trump wanted to avoid long and costly lockdowns, President Biden wishes to enforce strict rules to respond to the pandemic. Where President Biden wishes to decarbonise quickly President Trump wanted to grow the fossil fuel economy faster to make the US independent of fuel imports.

When it comes to governing there is a lot more continuity than most commentators report. Both men believe in a large stimulus from the Fed to get recovery underway, favouring ultra low rates of interest, plenty of Fed bond buying to keep markets liquid and direct Fed support to banks and the corporate sector. Both believe in a substantial fiscal stimulus with the state spending considerably more than it collects in taxes, though they would disagree about some of the spending priorities. Both in particular believe in sending a decent sum of money to every US adult to spend to get things moving again.

Both men accept the general government advice in Washington that China is a major challenge to the USA. They both wish to confront China on intellectual property, security and Hong Kong governance issues, and President Biden is even more vocal on the issue of the Uighurs. Both believe in onshoring a lot more production capacity to create jobs at home and reduce US dependence on imports. Make America great again has transposed to build back better with more built and made in America.

As a result the US has now embarked on a massive policy experiment. They wish to run the economy hot. The Democrats have just narrowly passed a huge stimulus package, opposed by every Republican as too large. The USA will borrow an additional $1.9tn to get things moving, sending much of the money citizens to spend. Meanwhile the Fed has expanded the money supply by a stunning 25% over the last year.

In contrast the Uk money supply has grown at less than half that rate despite the UK efforts to provide a monetary boost. The UK fiscal boost is not as large as the US one adjusted for size of the economies and fell short of sending every person in the country a cheque to boost spending. We should expect the USA to outgrow us this year. We should also expect them to have more inflation on the back of their expansion. The US authorities are sure the pick up in inflation will be mild and helpful, not high and persistent. I will return to this in future blogs.

Unauthorized encampments

The government has recently set out its plans for new legislation concerning Police, Sentencing and the courts. This draft legislation contains revision to the law over illegal encampments. As constituents have been asking for changes to the law in this area I reproduce below the Ministerial statement:

“Unauthorised Encampments
While the vast majority of travellers are law-abiding citizens, illegal sites can cause distress and misery to those who live nearby. The Bill will introduce a new criminal offence where a person resides or intends to reside on any public or private land without permission and has caused, or is likely to cause, significant harm, obstruction, or harassment or distress. We have taken steps to ensure that those exercising their rights to enjoy the countryside are not inadvertently impacted by these measures. In addition, the Bill amends the Criminal Justice and Public Order Act 1994 to broaden the list of harms that can be considered by the police when directing people away from land; and increase the period in which persons directed away from land must not return from three months to 12 months. Amendments to the 1994 Act will in addition allow police to direct trespassers away from land that forms part of a highway.”

The UK single market

Yesterday the Northern Ireland Secretary talked about trade between GB and NI. There are clearly issues to be sorted out.
I thought you might find it helpful to be reminded about what the NI Protocol said about the UK single market, as this now is at the centre of the disputes.

The Introduction to the Protocol states “Having regard to the importance of maintaining the integral part of Northern Ireland in the UK’s single market”…. “Determined that the application of the Protocol impact as little as possible on the very day life of communities in both Ireland and NI”….”Affirming the commitment of the UK to facilitate the efficiency and timely transit through its territory of goods moving from Ireland to another member state or third country.”

These introductory statements make clear the context to interpret the Protocol. The EU accepted the need for NI to be fully part of the UK’s single market and customs union, and wanted assurance that Irish goods could still pass through the UK to the continent without hindrance.

Article One strongly reinforces the main point in the Protocol. It says “The Protocol respects the essential state functions and territorial integrity of the UK”

Article Six states that “Nothing in this Protocol shall prevent the UK from ensuring unfettered access for goods moving from Northern Ireland to other parts of the UK’s internal market”

Article Seven states “The lawfulness of placing goods in the market in Northern Ireland shall be governed by the law of the UK”

There are various other provisions about the EU single market and the handling of goods that might move from GB to NI and then on to the Republic where EU rules matter.

The UK has a good case to ensure the smooth functioning of its own internal market. The ECJ has no standing over the UK’s internal market.

The EU plans to build back better

The President of the Commission has supported Italy in banning exports of the Astra vaccine to Australia and said she will approve more of the same if she continues to disagree with Astra’s actions. She has confirmed her view that the EU is right to control the vaccine supply and regulation, on the grounds that small countries would otherwise have lost out. She is not happy that Hungary has approved a Russian vaccine and that Slovakia and the Czech Republic are also keen to allow Sputnik. The European Agency is currently evaluating the Russian product but needs more data. She has drawn attention to the way the anti pandemic measures have hit female employment and income more, and promised policies to help redress this as the EU moves into the recovery phase.

The EU wants to help refashion EU economies coming out of lockdown and moving to rise from the damage done by anti virus policies. The EU has published the details of its new 7 year multi annual budgets and added the Euro 750 bn booster package of loans and grants called Next Generation EU from the additional EU level borrowing arrangement. The central feature of the new money is a large cohesion and resilience fund offering loans and grants to countries for projects which will mitigate the damage done by CV 19 and will encourage more sustainable and resilient development. 30% of all the money to be spent over the next seven years by the EU will be related to climate change policies.

The Next Generation fund will allow Euro 338 billion of direct grants to member states. Italy and Spain will get the most at around Euro 69 bn each, with Poland, France and Germany also receiving some of the bigger totals, though more modest in relation to the size of their populations and economies. It will be interesting to see what these grants will be spent on and how they operate under state aid rules.

Global commentaries and forecasts imply a disappointing rate of growth and recovery for many parts of the EU economy compared to Asia or the Americas. Germany, the motor of the whole, has to adjust to a large transition from its very successful diesel and petrol cars to electric vehicles. The EU is considering hydrogen technology for both vehicles and heating as well as electric systems. As more biting targets for fossil fuel reduction loom into view there needs to be decisions on which will b e the key technologies to drive the change so they can be scaled up to meet the size of the challenge.

Levelling up

The government is launching a £4.8bn Levelling up Fund. Councils and Transport Authorities can bid for money to help pay for projects that can boost jobs,investment and the local economy in their areas.

When I was Local Government Minister I was asked by the Secretary of State to run a City Challenge Fund. This was similar to features of this wider Levelling up fund, seeking as it did to stiumulate investment, jobs, prosperity and improved environments in urban areas that needed a boost. I was keen to ensure that any public money spent was geared to attracting substantial private sector investment in new facilities, jobs and people. I thought the plans could often be most useful where they concentrated on doing those things that the state had to do. Very often it helped bring derelict or disused public sector land back into better use. It could provide better roads into areas that could then be good destinations for new businesses or homes. It helped train local people to be able to take on new jobs that the investors were providing. It could improve the quality and appearance of the public realm in the local area to make it a more desirable place for the private sector and new residents to flourish in. The idea was to use government money to help and harness local efforts and private enterprise. You can only help create a great city or a flourishing town if you have a vibrant private commercial sector, and a range of voluntary and community groups and institutions alongside Council and government services.

I assume these features will be built into the Levelling up Fund.It will be more capital grant than revenue costs, so bidders will need to choose schemes which provide that backdrop to a successful lift off in private and community activity, drawing on a wide range of investors and companies. I suggest this fund could assist with the task of increasing the UK’s capacity to make things for ourselves. Local and national government could bring better roads and rail links, cleaned up land, permissions and potential public sector orders for items the new and expanding businesses can make. Requiring substantial local and private sector involvement and effort is essential to continuing success. It is no good doing a place up with public ownership and money without allowing a much wider rage of activities and investors to enrich the local area and provide a broader base and more stability for future jobs and incomes.