

Levelling up

The government has committed itself to levelling up. It wants to adopt policies that spread wealth and income more widely around the country, given the big gaps between London and the rest.

It is right to talk positively of levelling up, and not to talk negatively about taxing the rich out of London to bring London's figures down to nearer the national average. It's no help to the other cities of the UK if London is poorer. Indeed, levelling London down might also entail some loss of income and wealth for the rest of the country as well.

There are various differences between London and the rest of the country. London's productivity is higher. The capital has many more small and competing companies per 1000 residents than the rest of the nation. There is much more private sector wealth and income per person than elsewhere.

One of the curious features of the imbalance is it is much dearer to live, work and set up a business in London than elsewhere, yet more people choose to do it. They do so because they seek access to the better paid jobs, or access to the better off customers that London provides. There are many competing London restaurants, often with high meal prices, yet many of them make a good living. There are so many people in London wanting to buy a meal with the income to pay for them. With more companies and more highly paid people there is more need of lawyers, accountants, business consultants, personal advisers and the rest. In turn these service sector professionals are well paid and create more demand.

In some other cities and towns around the country there is a shortage of spending power and free enterprise. Oxford and Cambridge are demonstrating that it is possible for smaller provincial cities to attract a cluster of new investors and businesses around themes or strengths of that place. It requires ensuring there is suitable housing for those with the money to develop a business or to supply the high level talent the businesses need. As the cluster of new activities grows so the city attracts the supporting trades and services that can work with the new wealth creators.

Manchester in its prosperous past was King Cotton. Liverpool developed from a great port with many merchant traders. Birmingham was always a big manufacturing and engineering centre. Modern versions of these concentrations of talent and investment will drive wealthier and more productive cities and towns around the country. The levelling up agenda needs to make it easier for them to attract the talent and investment it takes to build a much bigger private sector. The policies needed include lower taxes, more supportive government interventions and fewer penal regulations, and a belief at all levels of government that free enterprise is a big part of the answer, not part of the problem.

Boost the economy now

Other countries have been doing what I have advised the UK authorities to do. We are now witnessing a rash of policy announcements by Central Banks and governments around the world to boost their economies . They want to arrest the global slowdown and prevent a global recession. The UK as the world's fifth largest economy needs to help them.

Australia, the USA, China, Turkey, Russia, Brazil and others have cut interest rates recently.

The USA, China, Japan and Euro area Central Banks have all put more money into markets. The Fed has bought T Bills, the ECB government bonds, the Japanese both bonds and shares.

China has relaxed lending restrictions and offered cheap finance for distressed companies losing revenues from the virus effects. Hong Kong has given HK\$10,000 to every adult.

We can argue about the wisdom of individual measures, but they are right to be trying to generate more activity and see business through a difficult time. In this environment boosting demand and ensuring liquidity is probably better than cutting rates.

So what should the UK do?

The Treasury should lift its tax attack on small business contractors, by cancelling IR35

It should abolish VAT on green products and domestic fuel to cut the costs of living

It should cut Stamp duties and VED to promote more home and car sales

It should offer all small businesses a 3 month holiday from Business rates as some will suffer cashflow problems from virus disruption.

Cut Income tax to give all employees a pay boost.

The Bank of England should ensure a plentiful supply of liquidity to markets. It should facilitate lending to companies with temporary liquidity problems brought on by virus disruptions to sales or supplies who have a decent future business model.

Should civil servants be accountable for delivering policies and services?

It has been fashionable for many years to set up so called independent state financed bodies to carry out functions of government away from direct Ministerial supervision. Thus transport Ministers created a Highways Agency to run the main roads, the Environment Department an Environmental Agency to run water, anti flooding and a range of other environmental policies, and the Treasury set up the Office of Budget Responsibility and a so called Independent Central Bank to limit Ministerial control over economic policy.

Some MPs seem to want to transfer more and more things to such bodies. The ultimate of course was the mass transfer of powers to the EU. The public often say this trust the experts approach is a good idea, until the policy miscarries or mistakes are made. Then they expect Ministers to intervene, sort it out and take the blame.

The problem is independent civil service activity often does go wrong. I have chronicled the bad mistakes of the Bank of England in recent years which helped create the ERM recession, the banking crash and the recent economic slowdown. The Environment Agency policy of discontinuing pumping and dredging led to bad floods in Somerset and the need for Ministerial intervention. The EU invented the Common Fishery Policy which did so much damage to UK fish stocks and to our fishing industry.

Well paid senior civil servants in or out of quangos are set targets and asked to run particular programmes or services. There is nothing political about ensuring high quality and efficiency in most cases. Should these targets be used to influence promotion? Is there a level of performance so bad that it warrants loss of job? Should senior civil servants stay put in a role for bit longer than the current average, with named responsibility for what they are meant to be managing?

In a democracy there can be no independent branch of government. The public through their Parliament or Congress can demand that anything changes or gets better. Ministers cannot go on saying a branch of government is independent of them when it is doing harm or failing to perform. They will be forced into changing the structure and or the personnel, in order to get the change of policy people want.

Meeting with Scottish and Southern

Electricity

I met representatives of the company.

I urged them to ensure we had sufficient capacity at a time of increasing demands for more power.

I also raised with them how they could help with our local roads problems. They need to put in new larger capacity cables to deal with extra demand per house, especially for those wishing to charge electric vehicles, and to deal with new homes and businesses. When they do so it would be good to route them other than under the middle of our main roads, as that creates so much disruption everytime they need to maintain, amend or upgrade.

We also discussed national capacity and price.

Central Banks fight recession- where is the Bank of England?

The Bank of Japan has promised “ample liquidity” whilst the US Fed says “We will use our tools and act as appropriately to support the economy” .