

2.8% growth would be great

The Chancellor gave us an upbeat message yesterday in his FT interview. He is putting growth at the forefront of his economic policy, as I urged. He thinks we can achieve the average growth rate since 1945 of 2-.7-2.8%. It's a bold ambition, given the poor rates of growth we have witnessed in the advanced world since the banking crash and Great Recession in 2008-9. Most forecasters now think the trend rate of growth is more like 2% than 3% from here, with some now thinking the UK and the Euro area can only manage 1.5%.

On Tuesday I am leading a debate in Westminster Hall for 90 minutes on how we can put in place a Growth strategy. We clearly need to reverse Mr Hammond's fiscal squeeze, as the government has promised to do. The state debt rules hold the EU in thrall and help keep growth down because they keep taxes up. They do not flex for the Laffer effects of lower rates bringing in more growth and in due course more revenue. The USA went for big tax cuts in 2016 and delivered much faster growth than the EU as a result.

We clearly need the Bank of England to get in line with all the main Central Banks of the world and have a policy which fights slowdown and recession instead of promoting slowdown. I have written plenty about that since the spring of 2017 when the Bank started to tighten.

Today in preparation for the debate I am asking for ideas on which taxes and which tax rates should we cut to get faster growth. There are three broad categories, tax on transactions, tax on work and income, and taxes on growing a company and owning and managing assets. Some of the tax rate cuts could bring in more revenue, some will result in lower revenue.

Transaction tax cuts to consider that could boost growth include Stamp Duties, Vehicle Excise Duty, and VAT on some purchases.

Taxes on employment and income include Income Tax, National Insurance., the Apprenticeship levy, and IR35.

Taxes on managing and owning businesses and assets include Capital Gains Tax And Business rates .

Shooting down an airliner

It has been widely accepted that the Iranian authorities made a tragic mistake. They now confess that they wrongly thought a civil airliner with 176 people on board was an incoming cruise missile.

In a world desperate to calm tensions it is probably wise to accept the

latest Iranian explanation of what happened. It is important, however, that Iran learns the lessons of this tragedy. The plane they shot down had only just taken off from their main civilian airport. It had been given clearance by the Iranian authorities for take off, and must still have been in closely controlled airspace adjacent to the airport. Their military need to know of civilian movements from a central civil aviation hub under the control of their government. They could always instruct the airport to avoid take offs at times of high tension where and when they might unleash missiles.

It appears that many people in Iran are now angry with their government over the delay in offering this latest explanation of the last seconds of the airliner, which in turn is reminding them of their dislike of other features of the Iranian regime. Iran's stance supporting various terrorist movements around the Middle East, and backing proxy wars against Saudi Arabia and other Sunni states has led the USA to impose strong sanctions on Iran. These are gradually damaging the Iranian economy, and are forcing Iran to find sales outlets for her oil away from traditional markets in the West. Some Iranians also dislike the disregard for personal freedoms and the limited adherence to human rights.

Mr Trump clearly still does not want to go to war with Iran. Because he had signalled his wish to avoid military encounters in the Middle East he felt Iran saw this as weakness and thought they could attack the USA and her friends in the area as they chose. The President countered with an unexpected targeted attack on the high command of Iran. It was a formidable demonstration of the powers of US military technology, knowing exactly where a named individual would be and being able to kill him from a distance with no US individual needed anywhere near the scene. The Iranian government thought they saw an opportunity to speed the USA's departure from the Middle East, hoping they could accelerate US withdrawal of troops from Iraq.

The US President hopes he has found a technological answer to so called asymmetric warfare. If Iran uses terrorist groups and informal armies to kill Americans and damage US installations, the USA will use precision to kill the leaders responsible. The danger is a possible escalation. The fact that so many Iranian people now think their government has gone too far is a better augury. Any sensible person wants peace, which means different future conduct by Iran to be matched by the USA responding favourably to such moves.

[The Bank of England wobbles](#)

Members of the Monetary Policy Committee are now telling us that maybe they should cut interest rates after all. Having watched as their tight money policies predictably slow the economy, they now express surprise at what they have done and seek some change of tack.

I am not proposing a 25 bp rate cut. I would urge them to look at the

substantial tightening their Bank has undertaken through changes to the capital buffers, tough guidance on lending and the cessation of the Funding for Lending scheme. There is practically no money growth in the UK, implying continued slow performance from the economy.

Meanwhile the reintroduction of Quantitative Easing by the ECB has led to a spurt of money growth which probably heralds some pick up in the economy later this year. The Fed has stimulated a sharp rise in money growth in the USA which probably means a decent recovery for an economy still growing faster than the other advanced countries as the year advances.

Why has it taken the Bank so long to notice the obvious? Why are they still so out of line with all the other major Central Banks of the world? This institution got the ERM comprehensively wrong, the banking crisis and great recession hopelessly wrong and now is getting the world slowdown wrong.

Spending money with reform

Some write in to tell me increased spending needs to be accompanied by reform to ensure better quality and efficiency in delivery of the services provided. I agree.

Let's take the case of schools spending. The government is promoting Free Schools. They have greater freedoms over the curriculum, teacher recruitment and rewards, and management. They can vary the school day and the length of terms. They receive their money direct from central government, removing the Council's involvement and costs. 30% of these schools are rated outstanding, compared to a 20% level for all schools.

The government plans to drive forward its schools reforms, encouraging more free schools and ensuring more of the money available in the education budget gets to the schools where a Local Education Authority is still involved.

I wonder what is the point of Local Enterprise partnerships. They involve themselves in parts of the transport and training budgets in particular, but there is overlap with Councils who make local transport decisions and central government responsible for the national networks. There is an argument for having just two levels of decision making on budgets, under elected supervision, at central and local government levels.

The costs of government can be reduced. The preparations for Brexit can be achieved more cheaply. We need no more wasteful preparations for Brexits that Parliament blocks nor over the top preparations for eventualities that are not going to take place. Whitehall was gripped with unrealistic pessimism which cost us needless spending.

Government should stop borrowings by Councils that want to acquire portfolios

of commercial properties that they buy off the private sector outside their areas. We do not need Councils to become portfolio investors, often buying shops the private sector thinks will fall in value. There may be a case for Councils being involved in new property development investments in their own area, but again there need to be controls over the extent and the wisdom of the investment.

Budgets for Wokingham and West Berkshire schools

We now know the sums per pupil for each of our local schools for 2020-21.

The secondary schools all receive an average increase of 4.8%, well ahead of inflation, as they need. It takes them all to £5000 per pupil or higher, with the exception of Bohunt. As the Secretary of State has promised that all schools would receive the minimum of £5000 I am querying this figure.