Italy and the EU – what is the point in Euro countries debating economics in General Elections?

The biggest items in the Italian election were economic. Did the economy need a stimulus? Does Italy need lower taxes? Should it reverse some of the big cuts in spending made at the EU's request earlier this decade? Do people want a basic income from the state?

Voters answered clearly. In the north they wanted tax cuts and a boost. In the south they wanted better benefits and a boost. All across Italy they wanted to roll back the pensions cuts of 2011. They elected a Lega/Five Star government who set out to carry through their wishes.

To make the government more palatable to the EU they appointed a PM and a Finance Minister more to the EU's liking, with the two winning party leaders accepting Deputy Premierships. They constructed quite a modest budget by their standards, limiting how far they could go on tax, benefits and pension reform. The EU decided nonetheless to reject it and to tell them to produce a tougher one.

The EU argues that Italy has borrowed far too much in the past. The underlying reality it has also been borrowing too much recently, drawing down large sums at zero interest from the European Central Bank to keep its banking system liquid and to allow the state and companies to go on borrowing from banks. The custodians of the Euro are worried by the scale of this, now at Euro 500bn, and want to call a halt to it. They insist that if you are in the Euro the EU tells you how much you can borrow, as it is a matter of common interest. If a state does not comply the EU sends detailed proposals on taxes and spending to try to get a compliant budget. If the state still does not comply it will be fined. The ECB could also take action to make things very uncomfortable for Italian banks and the wider economy, as it did to Greece and Cyprus.

Greece went through this argument and lost. The radical Syriza government desperate to lift Euro austerity buckled when pressure was applied to the banking system. The absence of ECB support meant the banks had to close for some of the time and limit people's access to their own money. This makes carrying on normal business very difficult. They discovered that if you want to stay in the Euro the EU decides your budget. Italy says she wants to stay in the Euro, so she will be told the rules do apply for her.

What should the leaders of the Italian government do in this situation? They have a General Election mandate which the EU intends to veto. What is the point in General elections debating big economic issues, if the national government is not in charge? Who is and who should be accountable for Italy's budget? When will the EU complete the architecture of its political union, to make its power more accountable somehow?

Leaving the EU next March would provide a big boost to our fishing industry

Over our years in the EU some of the worst damage the EU has done is that to our fishing grounds and fishing industry. Environmentalists are rightly upset by the industrial trawler techniques ripping out so much fish, only to see a lot of it thrown back into the sea dead under the infamous discards policy. Our fishermen and women have seen more and more quota allocated to foreign vessels. There has been a big decline in our fishing fleets, and a big decline in the proportion of the catch landed in the UK.

As soon as we leave the EU the UK becomes an independent coastal state with full control over our own waters. We will decide how much fish it is safe to take out of our seas, and how much of that should be fished by UK vessels. The opportunities are great. People in the fishing industry think we could catch and land twice as much as we do today by taking back control of our own fish stocks, whilst removing fewer fish from the sea overall with no discards. They also think there is considerable spare capacity in the present UK fleet, given the controls on fishing.

Work is well advanced with systems to regulate the amount of fish taken without having to throw dead fish back into the sea with all the extra damage that creates. That means we can land more in UK vessels whilst still taking fewer fish overall. If we landed in the UK twice the amount currently landed, that would add £900 m of raw fish value. This becomes £3.5bn of total value for the UK once the fish have been processed and sold on to final customers. We would develop more fish processing industries, often in coastal communities that need more jobs and more value added processing.

These policies would boost employment, cut our balance of payments deficit on food, provide more wholesome local food, and reduce environmental damage. The seas would be plundered less, and there would be fewer food miles travelled from trawler to plate. It's another compelling argument against delay in exiting the EU.

We don't believe you – BBC Today's

business howler

This morning in the business section of the Today programme after 6 am the BBC’s own expert and his chosen interviewee expert both told us that today the Bank of England will announce its decision on interest rates. They will, we were told, keep them unchanged at 0.5%.

Both seemed unaware that the Bank of England raised rates to 0.75% on the 2nd August 2018, the second rise from the lows. The BBC man was in a rush to get on to his main theme, that the Bank of England was forecasting a recession should the UK just leave the EU on 29 March 2019 without a Withdrawal Agreement to hand over £39bn to the EU. This was a bit much for his interviewee who said she did not think the Bank had forecast that, but probably others had! She was then asked to explain why without naming any specific forecast which either could quote.

No wonder voters increasingly say to so called experts “We do not believe you”. The BBC Business correspondent for Today regularly leads his witnesses to his agenda for the day. He also seems to regard it as primarily a slot to pursue anti Brexit questions, when there are so many more accurate and interesting stories he could pursue. Normal business life carries on regardless of Brexit, and so far we are still completely locked into the EU. He usually fails to question the EU critically or to comment on the perverse consequences of many of its decisions that still affect us.

More bad news from a car industry damaged by higher taxes, and lower Stamp Duty receipts from higher rates

I do wish the government would reverse the damage it has done to the UK car industry through its higher VED, its attack on diesels and the credit squeeze. Last month car sales were very weak in what should be a good month, with the biggest hit predictably taken by diesels. The latest credit and money growth figures from the Bank of England show that last month there was no money growth at all, with a big fall in car loans. This left the yearly rate of money growth at a new low level below the current rate of inflation. Domestic policy continues to slow the UK economy, with the car sector and dearer properties bearing the brunt of the tax attack.

It is especially strange that the Business department, ever vigilant of alleged and often implausible problems for the car industry from Brexit, says nothing about the obvious damage to car output and car sales by the tax and credit policies currently being pursued. Indeed, with diesel car sales down more than 4o % now, it is difficult to understand how they have not observed this and not done something about it.

Returning VED to the levels prior to the 2017 budget would be a good start. Allowing more car loans, one per person in employment at sensible levels would also be a good idea.

Cutting Stamp Duty to 2016 levels where it is currently higher would help unblock the homes market. The Treasury had to admit in the budget that Stamp duty receipts will be £1bn lower this year than forecast owing to the decline in transactions and their model forecasting errors from the higher rates, with a loss of nearly £4bn over the five year forecast period.

School Funding update

I have received the enclosed update on School Funding from the Secretary of State for Education:

“£400 million additional capital for schools this financial year

Schools can spend this additional £400 million on capital projects to meet their own priorities. This may include improvements to buildings, equipment and other facilities. Examples could include investing in IT infrastructure; small scale enhancement to buildings; or renovations to sports facilities or equipment.

By December, we will share an online calculator so that schools can estimate their allocation and make plans to spend the money. We will then publish individual allocations in January. These allocations are for individual schools, although in some cases the payments will be routed via local authorities, dioceses or multi-academy trusts, as is the case for ‘devolved formula capital’ (DFC). An average size primary school will receive £10,000 and an average size secondary school, £50,000. The amounts cannot be ‘top sliced’ by local authorities.

The funding will be made available to: maintained nursery, primary and secondary schools, academies and free schools, special schools, pupil referral units, non-maintained special schools and sixth form colleges. It will also be allocated to those specialist post-16 institutions that have eligible state-funded pupils.

Given we expect this money will be spent on improvements rather than as part of major capital projects, and the calculator will support schools to plan ahead, the expectation is that schools will spend the money in financial year 2018-19. However, the normal terms of DFC apply; these provide some flexibility for the funding to be spent over the following two financial years if necessary.

This funding is in addition to the £1.4 billion of condition allocations already provided this year to those responsible for maintaining school buildings. Overall, we are investing £23 billion in the school estate between 2016-17 and 2020-21.

Additional school funding update

I am acutely conscious of the budgeting challenges for schools. To respond to those and to support the transition to the National Funding Formula, we have made available £1.3bn in additional funding since the last spending review. More money is going into our schools than ever before (£42.4bn this year and £43.5bn next year). But I do recognise that budgets remain tight.

Earlier this year, we announced the biggest increase to teachers' pay since 2010: a 3.5% increase to the main pay range, 2% to the upper pay range and 1.5% for school leaders. We will be funding this with £508 million over two years, over and above the core funding allocations schools have received, to cover the difference between the 1% that schools would previously have been budgeting for, and the pay award. The £187 million for this year's pay award is going out to local authorities and academies now. We also intend to fully fund schools and academies for the increased costs of teachers' pensions, planned for September next year.

We have set out the range of practical help and support available in managing the £10 billion of non-staffing spend across the school system; and a further 10 new recommended deals for schools have just gone live. We have also published Good Estate Management for Schools to support management of school buildings and facilities. The range of support is summarised here: https://www.gov.uk/government/publications/supporting-excellent-school-resource-management."