

Project Fear from the EU is just absurd

I guess much of the latest round of Project Fear, now in its extreme phase, comes from EU sources. They are clearly worried that we might just leave without making them a large payment and without staying in their system for another 21 months. They seem to be trying to shock UK public opinion into buyer's remorse on Brexit. Their efforts are silly.

Doubtless some of the most ardent Remain MPs and peers, many of them on the Opposition benches, seek to play up any negatives the EU might throw them as they seek to disrupt the country and its government over Brexit. The latest scare stories do not merit the attention they get in some newspapers and in some of the media. A cursory questioning of any of these stories would show it is without substance.

Let's take the latest scares that we will run out of drugs and food. How could that possibly happen? Continental suppliers want to sell us their goods after March 29th 2019, as they do now. The EU does not have the power to ban them selling to us. We will control all the ports for the receipt of these goods, so we will decide what checks and payments will be required. We can appoint whatever people and deploy whatever technology we want to ensure smooth running of the import process under WTO rules. Why would we want to introduce new checks and taxes that make it difficult to import things we want? I was glad to see that No 10 has at last briefed that there are no stand by plans for the army to move food, as food will of course continue to roll in on ships and trucks as it does today. Our non EU imports come in smoothly at the moment showing we know how to do it, even with tariffs where the EU requires them.

Or lets take the stupid idea that France and Germany will ground all their planes that currently fly to the UK in order to stop our planes flying to their airports. They are not going to want to cut themselves off from the UK market, from London and the large international hub at Heathrow, and their airlines will not want to have to cancel all the tickets they are selling for flights after March 29th 2019. The EU does not have the power to stop planes flying between member states. What would they say to the Spanish co owners of BA if they wanted to damage BA, the main UK airline? How would they put up a case in court when an airline sued them for attempted damage to its business?

Then there is the wrong notion that EU citizens living in the UK and UK citizens living in the EU would be at risk of removal. The UK has made clear it is not going to ask people legally settled here under EU rules to leave, and I expect the rest of the EU to behave in the same manner towards UK people living on the continent. Advanced democratic countries obey international law, which does not permit mass deportations. Nor I am glad to say have I ever heard a mainstream UK or EU politician advocate anything so unpleasant.

During the referendum campaign when I was speaking to a public meeting in my own area, the Remain spokesman was a civilised former senior civil servant. He delivered a mild version of Project Fear about the job losses, recession, falls in house prices and the rest that his side forecast for the winter immediately after the vote. We now know that was all wrong. The public reaction in a mixed audience was fascinating. They laughed at the silliness of Project Fear.

Let's spend the EU exit tax on ourselves instead – that's a £39bn boost to us all

Here's a paradox. Ask the UK Treasury for money for schools or social care or defence and they say there isn't any. Ask the Treasury for more money for the EU, and they say how much would the EU like?

Here's a popular policy. The PM should tell the Treasury that the £39 billion they say we can afford to give to the EU should be spent at home instead. Let's leave in March 2019 with no leaving present to Mr Juncker and his friends.

With £39bn to spend we could

Increase the NHS spend as planned – as long as we control what the money goes on and secure more quality and capacity with it

Sort out social care, offering £2bn a year more for that

Strengthen our armed forces

Increase schools spending

Give everyone a Brexit bonus by cutting Income Tax rates

Give business a boost by cutting business rates

Collect more revenue by cutting CGT and Stamp duty rates which are too high

The reason the UK economy is growing more slowly than the US is they have supportive tax cuts and spending boosts, and helpful authorities who are promoting growth.

I wonder why the UK Treasury rejects that model? And why does it only have money for the EU, which we are meant to be leaving?

If we left on WTO terms we would also have the £13bn of new tariff revenue.

That should also be given back to us as tax cuts.

Spending the £39 bn at home means we can have tax cuts, domestic spending increases and less state borrowing. Why doesn't the Treasury demand this?

Going for faster growth – how the government can help

Growth mainly happens thanks to free enterprise and the opportunities of the market. Governments can help at the margin, and can hinder in so many ways if they follow anti enterprise policies.

I have been arguing in recent posts for two straightforward ways the government can help. It can spend more on items like transport capacity and education which make a direct contribution to a more productive economy. It can cut taxes that get in the way of enterprise and impede work.

In more detail, the government should take advantage of our exit from the EU to give UK competing businesses more scope to win government contracts. Strict application of EU procurement rules in the UK has meant the public sector buys many cars, machines and other supplies from continental producers. Who sees the French or German official buying a UK made car? A new UK system should of course encourage competition to ensure innovation and keen prices for taxpayers, but it should also be friendly to competitive UK based businesses. We have started to demand more UK content in rail procurement for example, and have used the exemptions in the EU scheme to allow UK provision of much of our defence equipment in areas like naval vessels.

Intelligent buying by government can commission product for UK purposes that could also have an export benefit by selling the same or similar to overseas interests.

The UK needs to have a sensible approach to new borrowing. Borrowing huge sums for a large project like HS2 which is unlikely to generate revenues to service it is not sensible. Borrowing lesser sums at very low rates in the public sector today to build more cost effective road and rail capacity would be sensible. UK state debt is under good control when you adjust the totals for the £435 bn the UK state has bought in and owes to itself.

The best thing the government can do to promote growth is to cut tax rates on work and enterprise. The next thing it can do is to use the money it raises in taxes to employ people at home and provide services and incomes here instead of sending it to the EU.

Getting the economy growing faster

The combined policies of a fiscal squeeze – eliminating the deficit – and monetary tightening – cutting back on car loans, mortgages and consumer credit – has predictably slowed our growth rate in recent months, as forecast here. Last year the government produced a budget where the deficit undershot by £19bn over the course of the financial year. The Chancellor could report much faster and better progress with cutting the deficit, but in so doing took more money off us in tax than planned which helped slow the economy.

If he had spent all the £19 billion on a mixture of lower taxes and higher spending as identified in recent posts, there would have been up to a 1% boost to output. This in turn would have generated more revenues, allowing the deficit to come down a bit as well. The good news is this would reduce the amount of extra borrowing a bit more. The amount we borrow is quite sensitive to the pace of growth of the economy. When growth speeds up more revenue comes into the Treasury from people earning and spending more. As more people get into jobs, so the cost of their benefits goes down.

The UK economy has the potential to expand at more than 2% per annum, so we should be aiming to boost its current growth rate which is below that level.

Raising productivity – a policy all claim to like in general

If we work smarter we can be paid more. That is the simple message behind the economists' idea of raising productivity. Today there is plenty of scope to do just this. Robotics, the digital revolution, powerful computers all allow an individual at work to have more machine power at their elbow. More of the drudgery can be done by machine, leaving individuals to do the more interesting things that require talking to clients and customers, making decisions about product and output, and organising production.

The area of the economy that has been most disappointing in the last 20 years for productivity growth has been the public sector. Of course we want quality to rise, and do not wish to scrimp and save on teachers or doctors. That still leaves plenty of scope to run the NHS or the education system more effectively. Quality and efficiency often assist each other. High quality means less waste, getting things right first time, doing things well in a way which maximises the use of resources.

The productivity problem lies behind why the government must ensure in its directly managed NHS that it gets good value for the extra money. Some of the money should be spent on systems and digital age equipment which makes it easier for trained staff to do their jobs and helps them control and audit the quality of what they do.

Those who see productivity programmes as excuses for cuts and less spending need to be reassured that proper productivity programmes create more worthwhile work, and go with the grain of all staff who want to raise performance.