

## More Project Fear leaked to the newspapers

I find it difficult to believe 2 years on the civil service are still writing and leaking absurdly pessimistic scenarios about Brexit. Ministers have offered clear directions that they should work up the best way of leaving without a deal. That is what they were charged to do. I am told by Ministers that is what they are doing. Ministers assure us all will be ready to leave in March 2019 and to carry on importing goods from the EU if we still want to buy them. The Germans are particularly keen that should be true, given the size of their trade surplus! So why are some other civil servants inventing nonsensical outcomes and leaking them when Ministers have asked them not to and told them these forecasts are just silly?

Apparently according to the latest leak someone in the civil service thinks if we leave without a deal Calais will not co-operate and so create interruptions to the supply of imported food and pharmaceuticals to us. No sensible person could make that up. The people running Calais port want to earn fees for running a smooth business. They do not have legal powers to discriminate against particular cargoes going to particular places. If they did try any such thing Oostende, Zeebrugge, Antwerp, Rotterdam and other Belgian and Dutch ports would be delighted to lift the business from Calais, assuming the French competitors were also in an illegal sulk.

There is then the rest of the world. They are looking to see if the EU messes up its very lucrative food export business to the UK by imposing food tariffs and other barriers. If they do there will be plenty of suppliers from outside the EU selling us products, to say nothing of the response of UK farmers if the EU makes itself less competitive.

The leak is revealing. It shows that there is still a strand of thinking in the civil service that wishes to stop Brexit, and is busy inventing difficulties that do not exist. They seem to want to help those on the continent that think they can reverse Brexit and keep our money flowing into their expensive organisation. What they are all succeeding in doing is creating an ever bigger volume of support for leaving with No Deal, as they keep on working to ensure any deal on offer will be a bad one for the UK.

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## Trade wars

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I do not agree with the view that the UK needs to be in an EU tariff

zone/Customs Union in order to enjoy more of the benefits of free trade. That is an absurd contradiction of a view. The EU Customs Union imposes tariffs and barriers against the rest of the world that are not helpful. If pro EU people agree, as they seem to do, that Trump's new tariffs are harmful, they should also agree that the EU's far bigger and more numerous old tariffs are also harmful.

The irony of Mr Trump's stance is lost on them. He is imposing tariffs to try to bash down the barriers and unfair trading practices others have imposed. His main two targets are China and Germany. There is an interpretation doing the rounds that his only target is China and some of his tariffs are therefore ill judged. Mr Trump starts with analysis of the largest trade surpluses around the world, which reside in China and Germany. Because Germany's trade stance is handled by the EU it leads the USA into conflict with the EU. It is true that his steel tariffs do hit the wrong people, as the USA imports little steel from China which is the main cause of overcapacity and of subsidised or unrealistically low prices.

The US has written a report into how China has in the US view cheated with Intellectual Property and technology products. The US is currently reviewing the practises of the German car industry, to see why Germany sells so many more cars to the USA than the USA sells to Germany. Part of the reason is obvious. The EU levies a 10% tariff on US cars, but the US only levies a 2.5% tariff on German cars. I can see why the USA may wish to question that.

I look forward to the day when the UK can negotiate her own trade terms around the world. The danger of the current situation is we get dragged into an unhelpful trade war between the EU and the USA which is primarily about the huge German surplus, not about our own global trade deficit.

The UK will regain her vote and voice at the WTO. The sooner the better. This is exactly the time when an independent UK could act as a strong voice and influence for freer trade worldwide, assisting the USA where she has a good case to bring the barriers down that others have imposed, and working with those who oppose unilateral US tariffs that do not tackle the underlying problems.

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## Populist challenges to the Euro

There are waves of voters on the continent wanting substantial change to the Euro scheme which lies at the heart of Project EU. The endless austerity policies designed by Germany to avoid the need for substantial transfer payments from the richer parts of the zone to the poorer parts are universally unpopular in the south and west of the EU. Voters swept aside the two traditional main parties in Greece, only to see their chosen champions Syriza blown away by a resolute EU defence of austerity. In Italy now a populist government has been formed, as 5 Star and Lega have almost destroyed the two traditional centre left and centre right parties of that country. In Spain Ciudadanos and Podemos are on the march again and poised to do well from any early election. Even in fortress Germany herself, the home of Euro orthodoxy, a growing impatience with just how much Germany is nonetheless

committed to has led to the worst ever result for the two traditional parties in the last general election.

All of these pressures go back to the Maastricht rules and criteria. These rules still have some sway in the UK, a non Euro member. The UK Treasury has used the budget discipline rules to require progressive reduction of our deficit, with the aim of starting to reduce the debt as a proportion of our national income. I often support the policy of controlling public spending and debt, and agree it should not be allowed to get out of control. I do not support our subservience to an inflexible EU rule that pays little attention to the state of the cycle, the level of unemployment and none to the tightness of monetary policy. Today tight fiscal policy in the UK is reinforcing tight monetary policy with the inevitable slowing of the economy we saw in Quarter 1. I think we need to look at all of these things together to get the right policy trade offs between inflation, output and future debt levels. A lot of Maastricht thinking is based on the pre crisis European economies. Today with mass migrations affecting wage inflation, and the liberal global supply of goods and services keeping down prices, the old identities that full capacity automatically led to high inflation do not work.

Much more serious than our position is the impact these disciplines have had on the south and west of the Euro area. Far from creating stability, the Euro scheme gave Ireland and Spain a wild ride. First it led to a massive boom, with asset inflation on a big scale, over development of property and over extension of bank credit. Then it gave them a big bust, where all of that reversed. In Italy's case it has given them more than a decade of pitifully low growth and high unemployment. In Greece it has led to a major slump with large falls in living standards. In Cyprus a banking crash led to people not being able to withdraw their Euros from some banks, and suffering losses on larger deposits.

Today the voters of Italy and Spain are saying they want reform of the Euro. They want more latitude to spend more, tax less and borrow more to try to accelerate growth and job creation. It is important how the EU responds. If they seek to do to Italy what they did to Greece, we are all in for a very bumpy ride. What they need to do is to move more rapidly to complete their political union, and to put into it a system of transfers of cash from rich to poor and from surplus to deficit areas. In the UK large sums are moved to the areas that need it via the nationwide benefits system and the Council revenue support grants. That is why the sterling single currency area does not have these periodic crises we see in the Eurozone. If they are not prepared to do this then they need an orderly break up of the zone so deficit countries can devalue against Germany and price themselves back into markets. When they broke up the rouble zone the countries that got out and established their own currencies soon did well out of that reform.

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# The government does need to allow change on the High Street

When I last wrote about shop closures some of you said the government should not intervene to help retailers. The market will sort it out. The problem is local and national government does intervene mightily with taxes, regulations, planning controls and town centre management in ways which can impede change or make things worse.

The first priority many agreed about on this site is allowing easy access to town centres. For many that means less congested roads and plenty of free parking. The out of town centre offers both these features, whilst the internet competitor does not require you to stir from your chair at home.

Where the Council owns the car park it should provide 2hours free parking for shoppers. Where there is insufficient parking or parking on road that creates congestion the Council should secure the provision of more parking.

Councils should review junctions and roadspace on main routes to shopping centres to make it easier to get there.

The government should review the Uses class orders, to make it easier to switch from one use to another in a town centre.

There are too many traditional shops in many urban areas. There needs to be flexible and easy ways to convert them to be premises for services, restaurants, coffee shops, residential or commercial uses.