[Oxford lecture "Is there any independent Central Bank?"]

On Friday 4th March Rt Hon Sir John Redwood D.Phil FCSI will give a lecture in the Old Library, All Souls College Oxford on the topic of "Is there any independent Central Bank?".

The lecture will consider the cases of the Federal Reserve Board, the European Central Bank, the Bank of Japan, the Bank of England and the People's Bank of China. It will examine the patchy record of the western Banks in controlling inflation and avoiding major downturns. It will consider political involvement through choice of Governors, intervention over interest rate changes, revision of inflation targets and supervision of Quantitative easing. It will examine influence over Central bankers by Parliaments, the media and public opinion, and the occasions when a Governor seems to be pursuing a political agenda through Central bank policy.

[My question to the Minister about an Elective Care Recovery plan in England]

Rt Hon Sir John Redwood MP (Wokingham) (Con): If the Treasury was not holding up the plan, can we be told what was holding it up? When will we get the plan?

Edward Argar (Minister of State at the Department of Health and Social Care: I am grateful, I think, to my right hon. Friend for his question. As I set out, it is important that this is the right plan and that it does the job for which it is intended. We are working closely with other Departments to make sure the plan, when it is published, does the job for which it is intended, and I look forward to its imminent publication.

[The anniversary of the Maastricht Treaty signed on 7 February 1992]

Enthusiasts for the economic, monetary and political union of Europe will celebrate the anniversary of Maastricht. After the founding Treaty of Rome this Treaty represented the single largest step forward towards the union of Europe they seek. Some Eurosceptics can also celebrate it at this distant time, as it was the sheer ambition of Maastricht that alerted many more people to the fact that the Common market they voted for in 1975 in the UK was morphing into the ever closer union of the Rome Treaty that had been played down in the UK debate.

The truth is this Treaty was important. It both greatly accelerated progress to European Union for the majority of countries that welcomed it, whilst splitting Europe more decisively for those that did not. Denmark and the UK immediately demanded and got opt outs from joining the single currency and stayed out. Sweden has spent the last years refusing to implement its commitment to join the Euro. The EU has lived with non compliance with the Treaty. Switzerland and Norway took it as confirmation of the growing centralisation of the Union and confirmed their unwillingness to join the EU at all.

Maastricht was the last EU Treaty that the UK Conservative party whipped MPs to support. It split the Parliamentary party, with many more unhappy MPs than actually voted against. In Opposition the party became an opponent of more powers for the EU, and opposed the Treaties of Nice, Amsterdam and Lisbon. In the 2010 election the party was wanting to repatriate powers , but the advent of a coalition government with the Lib Dems meant nothing along those lines could be attempted as the Lib Dems vetoed any suggestion. The 2015 Conservative Manifesto adopted the proposal of a referendum on our continued membership as the best answer. This helped the Conservatives garner enough votes to win a majority. By then many Conservative MPs felt it wrong to stay in the EU when we opposed joining the most important central project at its heart, economic and monetary union. There was always the danger of ending up paying more of the bills of a difficult currency union, and accepting more of their laws needed for currency participants but not for a more independent country with global ambitions.

Maastricht theory had already cost the UK dear. It was preparing for the single currency by demanding convergence of economies and currencies that visited upon us the Exchange Rate Mechanism. This cruel policy gave us a nasty boom and bust, leading to much unemployment, lost businesses and negative equity for some homeowners. This bitter experience recruited more Conservative MPs and voters to oppose continued membership and certainly to oppose further transfers of powers.It threw the Conservatives out of power for 13 years as it destroyed the party’s reputation for economic competence. Winning again was only possible after Labour presided over the even worse banking collapse and great depression of 2008.

The post Maastricht EU survives on a massive programme of money printing and bond buying, continuing for all this year on current plans long after the USA and UK have stopped. It needs the continued mechanism of Germany and the other surplus countries depositing their cash in the ECNB at zero interest, to be lent on at zero to the deficit countries that need the money to avoid recession. Gradually the EU is exerting its controls over spending and taxes in each member state, as it needs to do to provide some discipline to its currency and banking system.

Can the new Downing Street deliver?

I look forward to seeing how the constitutional innovation of an MP becoming Head of the PM's office instead of a career civil servant works out. It builds on the precedent set by the Nigel Adams appointment as a Cabinet Office Minister assisting the PM. It should mean a political perspective is added on the PM's role. It will need a strong Principal Private secretary who is a career civil servant to ensure proper tie in to the official government machine, and will require Steve Barclay to work well with the Cabinet Secretary.

There is an immediate test of the new team. They have to move swiftly to change economic policy. They need to ease the squeeze on middle incomes that will hit in April. They need to require the Treasury to introduce a growth policy compatible with the levelling up agenda. They need to stress you only get levelling up if you have strong private sector led growth. They need to insist on tax cuts to offset some of the Bank's monetary crunch and the big hole created in real incomes by energy prices. They need to get the business department to reset energy policy, crucial to the survival of enough U.K. industry.

They should take the Bank's gloomy forecasts for 2022-23 and 2023-4 seriously. The Chancellor should too. We need policies that head off those outcomes. It will take major policy change to rebuild prosperity and to avoid major unpopularity for both government and the Chancellor.

The Bank of England forecasts a poor future

From the first official forecasts of poor outcomes if we dared to vote Brexit to the continuing gloom of OBR and Bank predictions on growth, unemployment and tax revenues I have correctly argued they have been far too pessimistic. This year again the deficit is £60 bn below their forecast, employment is strong and growth excellent.

So let me surprise you. This time I do not think the Bank and doubtless the OBR who usually are similar are too pessimistic about 22-3 or 23-4. I think now the savage attack on the economy by the Treasury with its big tax rises and the Bank with its severe monetary tightening will indeed deliver little growth, rising unemployment and less buoyant tax revenues in the next two years.

I agree the Bank needed to tighten a bit to correct the excessive laxity of extended Quantitative easing or money printing. They needed to curb the inflation they had created. They were right to end all QE this year. They should have done so last year as the recovery took hold. It does not need, however, to rush to Qunatitative tightening. Neither the Fed nor the ECB plan to do that and they both have worse inflation than us.

My main complaint is aimed at Treasury policy. The fastest way to get the deficit down is growth. Their excessive tax rises strategy will slow the economy too much, impeding getting the deficit down. One simple message for them. Stop it.

The Bank correctly forecasts a hit to real incomes this year as the energy price rises and tax rises kick in April. They may have underdone that forecast. This will slow the economy markedly without needing a monetary jolt as well.

The government needs a growth strategy for its own sake and to cut the deficit.