

A new framework for our economy

The UK economy has been steered for twenty years by the Maastricht requirements. The UK has sought to keep state debt down to 60% or to get it moving towards that total, and to keep the budget deficit down to below 3% of GDP. The inherited targets are to record state borrowing below 2% of GDP this year and to see net debt declining as a percentage of GDP. Overall borrowing should be at or below zero by 2025-6. These targets of course were blown away by the measures to tackle the pandemic.

The government needs to consider new rules. Of course it needs to control public spending and taxation to affordable levels. Maybe it should go over to a target of not normally allowing borrowing for current spending, but allow borrowing for capital spending. That capital spending should continue to need a value for money and rate of return test, preferably better estimated and policed than prior capital projects have often been.

I dislike the Maastricht rules for a variety of reasons. Now most advanced countries are borrowing around 100% of GDP the idea that anytime soon can see them back to 60% is silly. The usually automatic 3% running deficit control can cause austerity or undesirable tax rises and cuts. I have no wish to advise the EU on what to do about their rules, and understand that they are trying to avoid the free rider problem. When countries share a currency with a common official interest rate a country which had borrowed too much could seek to take advantage of the better credit rating of leading members of the zone and carry on borrowing excessively. The fact that the criteria are recorded in the Treaties makes changing them very problematic.

For the UK we now need rules which keep our finances in good order and take advantage of a good credit rating and low rates to allow productive investment. The Maastricht figures do not adjust the state debt figures for all that debt now owned by the Bank of England as agents of the Treasury which also seems strange.

Use of a flag

One of the big visual differences when I was a visiting Minister in foreign lands was the usual universal presence of their national flags in the Ministerial offices and meeting rooms, with nothing similar at home. Here we had the odd battle about where and when the EU flag would be shown, and we had the relentless use of the EU flag on every project which had received however modest a sum of our money routed back to us via the EU. When Ministers asked that the display should also have the Union flag on it with acknowledgement of the usually larger sums of UK direct taxpayer money they were told that was against EU rules or given some other reason why the UK

flag could not be shown.

The decision of today's Ministers to show the flag for their presentations and in their offices is merely bringing the UK into line with most other countries of the world. It also brings them into line with EU practice with universal use of the EU flag. It is curious that some in the BBC and their friends think it cause for merriment that government should be proud of our country and wish to display one of its known symbols. It is one thing to see a joke on twitter showing a picture of a man in a Union flag suit, with Union flag glasses and hat with the caption "Interview with a government Minister" but another to see mainstream BBC news programmes trying to become comedy shows at the expense of normal government practice to fly the flag. I have never heard them make fun of the many foreign interviewees who sit with their flag in their office, from US senators to Prime Ministers and Presidents of many countries.

It is all part of the strange mood of some in this country that seeks to denigrate who we are, what we stand for and what our ancestors did. Like all great countries that have contributed to human development there have been bad chapters to our story. There have been many more fine chapters, from saving Europe from dictators on several occasions to abolishing the slave trade to pioneering the industrial revolution. The fact that so many people wish to come to live and work in our country shows many abroad rate us highly. One of the most touching moments when I was a Minister came when I made an early visit to what had been Soviet eastern Europe. A lady stepped out when the official car with a small Union flag was stopped at lights to pay her respects to the flag. To her it symbolised freedom. She remembered the UK's role in liberating Europe from tyranny.

[What is the point of the Census?](#)

I duly filled in my Census to comply with the law and ordered the email receipt to be able to prove it. As we now live in a snooper state where government keeps so many records about us it is difficult to fathom why they need to conduct a census.

They know who I am , where I live, where I work and all the details I supplied for my National Insurance number, Passport and driving licence. They have Income tax records, National Insurance records, residence records for Council Tax, health records through the NHS ,a birth, marriage and divorce record. So why do they need to know again who I am, where I live, what my general state of health is, what job I do and what my marital status is despite knowing all this already? They also wanted to know a few of the qualifications I hold, all known to the Examining Boards and Universities which are part of a government guided educational system.

They might argue that the point of the Census is to catch up with a minority

who have not duly complied with all the form filling needed by everyone from the Passport office to the Council Tax desk. I fear that if people are housing illegal migrants or covering for people dodging Income Tax and national Insurance they are unlikely to blow their cover by providing honest answers to the census form.

They might also argue it helps them plan future services and policies. If that is the purpose then it would need to be more precise and detailed than the form they provided. Let's take the possible use of census data for a skills audit and future skills policy. The form did not allow someone to explain what professional qualifications they might have, made no distinction between the three main levels of degree to encompass research oriented doctorates as opposed to first degrees, and did not press home general enquiries about apprenticeships to discover which areas were best served. Asking people to make a general assessment of their health is hardly sufficient evidence to plan NHS capacity. The GPs know much more about their patients. The multiple questions about identity and background were more detailed than some other areas.

Of course good government needs good data. Instead of spending money on another general survey the government should clean up and use the huge quantities of data it already holds. Why not start by reconciling National Insurance numbers with employee and Income Tax records? Why have more NI numbers been issued than there are meant to be employees? Why not use the substantial NHS data held on all using the service to model future patterns of service need and capacity better? Why not improve a system of patient records with non UK users receiving bills? Why not ask for consolidated data from Examining Boards and Universities to improve national data over skills and education if they think there are holes in their current knowledge?

It is even more bizarre that the census will not take place in Scotland when on its own logic it needs to be U.K. wide.

I hope this is the last general Census we face. On the general topic of population numbers and migration what we want is a reliable total available monthly, with good systems and border controls to assure us that the numbers are accurate. All those welcome to come legally should be included in the moving totals as permits are issued on arrival, with effective controls against illegals. For the working age population it should be one person, one NI number.

Debts and deficits

As expected the U.K. state borrowings for February and for the year to date came in well below the official forecasts of the OPBR in November, and probably below the sharply revised down Budget forecast. The Budget said £354bn for the year. The first eleven months totalled £278bn. Even allowing

for some possible losses on government loans to business it seems unlikely they will borrow £76bn in March. Tax revenues were little down despite the obvious hit to VAT, Business rates and other activity related taxes thanks to CV 19 restrictions. Spending was well up, but much of that was the extra costs of CV 19 tests and vaccines, furlough and the large losses on a little used public transport system. Practically all the extra borrowing was matched by Bank of England buying of government debt, leaving the state without an unmanageable interest burden or repayment schedule. Indeed, interest charges as a percentage of spending and of GDP went down last year. Rolling over debt as governments do is serving to lower the average interest rate on the debt as today's rates are below the historic rates incurred on earlier borrowing.

This all means I stick by my view that a one off surge in borrowing to carry the special costs of the pandemic and the economic damage lock down brings is affordable. I also stick to my view that we need to get back to work soon. Recovery will bring the deficit tumbling down as pandemic related spending falls away as tax revenues on business and VAT on consumer services pick up. The government does need to review its spending priorities and avoid wasteful spending. Any sense that there is plenty of money and that borrowing is almost without cost is an unhealthy one ,encouraging bad or needless spending and removing pressures to improve efficiency and quality and to root out unnecessary costs.

The review of spending should encompass an early set of decisions over how large a railway and bus service network we need post pandemic. How will patterns of travel demand shift? Will the post pandemic world solve the expensive peaking problem for buses and trains by removing much of the bulge in demand at peaks which requires much more expensive capacity than a more balanced pattern of travel demand? As the government seeks its infrastructure revolution it should look for more private finance both to cut public borrowing needs and to provide a stronger market test on the wisdom of each investment. I remember as Margaret Thatcher's adviser facing strong lobbies within and outside government for the taxpayer to pay for the UK share of the Channel tunnel. The PM agreed we should insist on private capital which we did. This turned out to be a wise move as the project did go bankrupt and needed refinancing, but the taxpayer was spared the costs. The proposals I have put forward to make more use of government purchasing to buy products and services made in the UK will also cut the deficit. Of course there must be competition with a choice of suppliers wherever possible to ensure a fair price for the taxpayer. Everything bought by the government which is made in the UK means more tax revenue from the incomes and profits made on the work, and less public spending as more people will have decent jobs.

[President Biden wants more made in](#)

America

One of the interesting continuities between President Trump and President Biden is revealed by an important Executive Order issued from the Oval Office on 24 February. This pledges to use the full powers of the state to subsidise, grant, buy and regulate to ensure that more things are made in the USA. Both Presidents wanted or want to onshore more activity, help create more better paid jobs and strengthen US resilience. How can the USA defend herself, they argue, if she does not control crucial raw materials and technologies important to her defence?

Let's take the case of rare earths. These products are needed for the digital revolution. Too much of the world's output has been concentrated in Chinese hands or in the territories of countries China finances and allies with. The USA is now scrambling to re open old mines and put in new capacity at home to remedy this problem, for fear of China using her strong position in this market to push up prices or deny supply to the USA and her allies.

Let's consider semiconductors, currently in world shortage. US car plants may have to go slow for want of semiconductors to complete their assemblies. Asia produces most of them and has found an abundant and growing market in smartphones and other digital devices at a time when the motor industry needs more of these items to handle some recovery in volumes and the increase in semiconductor use in modern vehicles. The US with help from Taiwan is increasing its capacity.

Or let us consider large battery production. Now the USA has joined Europe in a combined wish to bury the diesel and petrol cars and replace them all as soon as possible with electric vehicles, there will be a colossal demand for batteries. The USA is short of such capacity and of the raw materials needed to produce them. The hunt is on to remedy these shortfalls.

The Biden Plan goes well beyond these targeted areas. The US wish to cut their imports and expand domestic production in a wide range of areas where government purchasing and government policy can make a difference and tip more in favour of competitive home product. The huge trade surpluses in goods of China and Germany are in their sights, as they seek to restore some balance to the large trade deficits they inherited.