

Can we discuss the performance of the Bank of England?

Media commentary on the outgoing Governor and the new Governor hit a new low. We were told of the rock star Governor leaving, with silly mildly abusive comments on the alleged personality of the incoming Governor. There was no critical commentary of the failings of current Bank policy, nor comment on the huge opportunities to change things for the better under new direction.

Governor Carney leaves an economy stalled, pursuing a uniquely tight money policy at a time when all the other main Central Banks are rightly fighting slowdown and recession with a range of monetary tools at their disposal. He has been besotted by Brexit to the point where he has not understood the forces at work on the UK, which are largely the same as anywhere else in a globalised world economy suffering from sluggish growth and mercifully low inflation in the advanced world. All the time he has been Governor we have been full members of the EU, just as he wanted .

When he first arrived he promised reform. He told us he was going to use forward guidance to give markets a clearer steer of where interest rates and monetary policy were going. The first two occasions when he guided people to expect a rate rise he did not follow through with one, and after the third warning of a rate rise after a gap he actually cut rates. It was difficult to see how any of this helped.

During the referendum he politicised the Bank by producing a series of very pessimistic short term forecasts of jobs, unemployment, output and house prices which only Remain could accept. They turned out to be very wrong as I and other Leavers forecast.

After the vote he did nothing. A few weeks later he decided to cut interest rates, relaunch Quantitative easing and make money available to the banks. This stimulated activity and inflation, and pushed the pound down a bit. From 2017 onwards he then changed tack, withdrew necessary facilities from the commercial banks, put through two rate rises and slowed the economy markedly until over the last three months there has been no growth at all. This was needless and predictable.

He could have shifted UK policy in late 2018 to promoting more growth and activity as the Fed did. He could have done so this autumn when the ECB did. Instead he ignored the obvious signs of global weakness and tightened controls over commercial bank lending. On his watch the repair of the commercial banks has been completed so they are now robust and able to withstand bigger external shocks. They now need an LTRO or funding for lending scheme to access money to lend on to businesses who wish to invest and to people who want to buy homes and cars.

What kind of Brexit?

To Brexiteers there is just one kind of Brexit – taking back control of our money, our borders, our laws and our trade policy. It is about independence. The Conservative Manifesto confirms all of that. That was why I did not need to add to it or amend during the election, as I was happy with the clear statement that we will indeed be taking back control.

Staying in the Customs Union, legislating to ensure our rules and laws stay in line with whatever the EU wants, being an external member of the single market and having to accept all their Directives are not Brexit. The EU has been masterful in extending its reach ostensibly in the name of trade into a dazzling array of other governmental and legal areas. We end up with freedom of movement, large tax impositions and detailed laws on everything in the name of the single market.

We wish to trade with the single market, as many other countries from around the world do everyday. They do so without accepting freedom of movement, or all the laws of the EU or without making budget contributions. They do so under WTO rules, which are superior even to EU laws, and are designed to facilitate trade between fellow members.

I do not like the Implementation period. I wanted us to leave in March 2019, and again in October 2019. Instead the Remain Parliament and Mrs May prevented us doing so. We have ended up with an unsatisfactory period when we still have to obey EU laws and pay large sums of money. The new Parliament which will vote through our exit by December 2020 will not vote for our immediate exit this coming January. We will have to accept the costly legacy of the last Parliament was expensive delay to our exit.

The government is being urged to make sure all legal requirements and financial obligations end when we leave next December. They have also been persuaded to put in a Sovereignty clause to protect us against abuse of EU power during the Implementation period. The Committee stage of the Bill will give the government opportunity to strengthen the position, and in so doing strengthen its bargaining hand for the Free Trade Agreement they seek in the discussions ahead with the EU. There is no need or desire to make further concessions on things like fish to secure a FTA.

Labour's choices

There seem to be two main strands in leadership proposals for Labour. The

first is to go back to the damaging topic of Brexit which has splintered them so badly in the last three years, and to present a stronger Remain view. The second is to let the Conservatives deliver Brexit and concentrate instead on the radical social and economic agenda. Neither of these offers an easy route back to popularity.

Many of us see the result of the referendum followed by two elections where pro Brexit parties have won as a clear indication of the country's view. We decided and we should get on with it. Trying to do at a later stage what the Lib Dems failed to do in the 2019 election seems foolish. Dressing it up as a second vote when they want to have a vote between two kinds of Remain will not convince the Brexit majority. It is also a short term policy. The next General election should take place long after we have left the EU.

Those who want to stress the domestic agenda and develop the work of Corbyn and McDonald are right to think forwards to a post Brexit world. They also need to ask themselves why was there so much hostility to their generous large offer of "free" services and nationalised businesses in 2019?

The voters in the North and Midlands they lost did not just switch because of Brexit, important though that was. They also felt Labour had forgotten the needs and views of the many aspirational families who are not well off but who look to government to offer a hand up not a hand out. Labour constantly spoke out for the tiny minority that sleep rough, or the minority that still cannot find a job rather than for the many who pay taxes to pay the state bills and who want more of their own money to spend. Labour also speak for the migrants still to arrive, which worries those facing housing shortages or low wages.

If Labour take away the conclusion that free hand outs and nationalisations are popular, so they need more of them, they may well lose again. Labour last won under Tony Blair, when he tacked a long way towards Conservatism at a time when the Conservatives had messed the economy up thanks to the European Exchange Rate Mechanism.

[Why did Labour lose?](#)

I rarely write about the Opposition parties, preferring to concentrate on how government can do better.

We will, however, hear a lot about Labour's future as they embark on choosing a new leader. Our constitution thrives best with a strong Opposition that looks like a government in waiting, so what Labour does will matter. For this reason I am interested in your thoughts on what they might do next. It was interesting that the biggest array of freebies ever offered in an election did not tease out more supporters.

Their first self appointed task is to work out why they lost so many seats in 2019. They have been all but eliminated in Scotland where they used to be dominant, have been largely excluded from the South outside London and lost many seats in old heartlands in the North and Midlands. They are an urban party with a strong dependence on the capital.

The last election was two elections at the same time. There was a Leave/Remain battle. The Lib Dems tried to make it an election to revoke our departure, and the Conservatives stressed the need to get Brexit done. Labour was scarcely part of this contest, as they sought to present a range of Remain tilted opinions as a new policy whilst saying they were also a home for Leave voters. Their spokesmen and women were unconvincing on the biggest issue of the day. Anyone desperate to keep us in the EU would vote Lib Dem and anyone keen to leave would vote Conservative.

The second election was about economic and social policy. Labour led this debate with a comprehensive offer of much more state control and “free” goods and services for people, against a Conservative targeted offer of spending increases on the NHS, schools and police. Some in Labour claim to have “won” this battle of ideas, yet the polling evidence suggests otherwise.

Those who think Labour’s twin problems were Brexit and the personality and past record of their Leader cling to the hope that otherwise their ideas were popular. Instead the more free offers Labour launched, the more people felt their policy was unaffordable. The answer that only the rich would pay did not add up, and was contradicted by their Manifesto itself with the ending of the marriage allowance.

It appears the voters rejected not just Labour’s Brexit stance but also their economic offer. People remembered what happened with past Labour governments spending and nationalising too much. Tomorrow I will look at what they could or might do next.

[The power of Brexit](#)

Early one recent morning when I was walking to my Parliamentary office a taxi driver stopped to tell me how pleased he was we would at last implement the referendum. He is training to be a teacher. He told me he was so fed up with Establishment and media bias and all the efforts to reverse the decision. He represents the passion and the decency behind the Brexit vote. He wanted to thank me but I felt I needed to thank him for holding true to the opportunity the vote offered.