

Why the USA grows faster than the Eurozone

The USA has for some years put in a much better economic performance than the Eurozone. Thus year its growth rate is around double that of the Euro area. Part of it stems from the monetary policy being pursued, some of it from the fiscal policy and much of it from the enterprise policies.

The Fed has twin objectives of keeping inflation down and promoting growth. It has been pragmatic about pursuing these objectives. It made bad mistakes at the end of the last decade like other advanced country Central banks, but has done much better since 2010. It did tighten too much at the end of 2018 but has now corrected for the mistake. Despite over 2% growth in the economy the Fed has recently pumped \$150bn extra liquidity into markets to facilitate bank lending and continued growth.

The ECB has ostensibly followed a more dovish stance than the Fed with lower rates and more recent Quantitative easing. It has, however, failed to get all the main commercial banks in its system to address their balance sheet and bad debt problems, so there is still difficulty in transmitting cheap money into more well based loans to get the economies moving faster.

The President of the USA put through major tax cuts which acted as a substantial boost to US growth in the last two years. At the same time the Congress also put through various public spending increases. As a result there was an expansion of the fiscal deficit, which helped generate more activity. In the Euro area the strict application of the Maastricht rules with tough controls on debt as percentage of GDP has left little or no room for fiscal expansion.

The USA has a more enterprise oriented culture, with a very strong technology sector that has been leading the world. Lower taxes, more business and start up friendly regulations and a more plentiful supply of equity and credit for new business has ensured the US has grown faster and dominates the western digital world.

Radio Berkshire debate

I did not get my wish of a debate between all 5 candidates. I held out to try and get such a debate but two candidates apparently turned down all offers. I compromised with Radio Berkshire and joined two of the other parties for a three way.

In the hour long exchanges no questions were asked about many of the local

priorities I have been working on. There was nothing on traffic and congestion, or road safety and jammed junctions. There was nothing on planning and the need for a slower rate of development in the next plan period. There was nothing on the need for more and better rail services, and nothing on plans and budgets for our schools.

We did get to discuss poverty, NHS staffing, an individual migration case, climate change, as well as fake news, participation by electors in the election, participation by candidates in debates and other media oriented topics.

The programme opened with quite lengthy interviews with us over Brexit, and our past and present views on how this should be handled. I made sure we also discussed the crucial issue of the economy, setting out briefly Conservative plans for greater prosperity with a budget to boost growth early next year if there is a Conservative majority.

We need a majority government who can boost our economy now with the right budget

As feared and forecast here UK growth in the latest figures has slowed again, as has growth in most parts of the world.

I have been recommending for sometime that we need both a monetary and a fiscal stimulus. Monetary change awaits a new Governor of the Bank of England, which in turn awaits a government with a majority. Fiscal change also is waiting on such a government. The outgoing minority Conservative government did not think it could get the tax cuts through the Commons that the economy now needs to give it a boost and was apparently unable to agree with officials about a suitable new Governor.

The hung Parliament that did so much to create uncertainty and delay over Brexit did other damage as well. It diverted attention from big matters like the need for an economic boost, and made officials minded to avoid changes on the grounds that there was no Parliamentary majority for anything worth doing.

The new government formed by a change of PM has clearly signalled they recognise the need for a budget which boosts incomes, activity and public services. We need it as soon as possible. It is a fundamental reason why we need a government with a majority on December 13th so we can get on with the changes we need. The USA has recently seen a \$150bn injection by the Central Bank into markets to give things a boost even though the USA is growing much faster than the EU or UK. The ECB is administering a Euro 20 bn a month

stimulus. The UK does not need more Quantitative easing but it could do with facilities for banks prepared to lend against good projects and to consumers to buy homes and cars. Consumers could do with a post Christmas present of keeping more of their earnings to spend on their priorities.

Waiting for treatment

No-one should have to wait a long time for NHS treatment. Our hearts reach out to any child and parents who have had a bad experience. It is not what any of us wants. The government has rightly pledged more money and more staff. It is important this is well managed to prevent these unacceptable incidents in future.

Labour knows how to borrow too much to bring on an economic collapse

Some younger voters may not have studied UK economic history. There has been a depressing pattern to it all.

The 1964-70 Labour government borrowed and spent too much. It was forced into a devaluation and had to impose austerity policies to try to rally the currency.

The 1974-9 Labour government overspent and overborrowed to such an extent that they ran out of money and had to go to the IMF for a loan. There was further devaluation. The IMF imposed tough austerity conditions on the loan which then governed Labour policy.

The 1997-2010 Labour government lasted longer because for the first few years it followed inherited Conservative spending and tax plans which worked. Then it cranked up the spending and borrowing – particularly through the private finance initiative lumbering public services with large debts- and presided over the crash of 2008-9.

The last two Labour governments both raised unemployment by around half a million people. Indeed every Labour government apart from the first short lived minority one has left office with unemployment up on where it started.

A sensible amount of credit, and borrowing for worthwhile investment, can help an economy. Excessive state credit and excessive state spending with high taxes is always a ruinous combination. It makes people worse off, leads

to job losses and recession, and leave the Treasury short of tax revenues to pay the bills. The huge spending and taxing plans of the current Labour party would bring on an early crisis.