

## Leadership candidates who say they will renegotiate the Withdrawal Agreement need to tell us why they think the EU will want to

Several leadership hopefuls seem to think their mere presence in Brussels after becoming PM would get the EU to change its often stated position that there can be no change to the Withdrawal Treaty. It is difficult to understand why they think this. The EU has repeatedly said they will not reopen the Treaty. The EU did nothing to help Mrs May get it through the Commons when she was their best hope of doing so.

The new Commission may not be formed before the summer break. There is no indication that any candidate for Commission President wants to change the policy on the Withdrawal Treaty. It is very unlikely that a new Commission, if one is formed by September, will want to devote the first month of its life locked in major negotiations with a country leaving the Union. They have many important issues they need to handle for the member states staying in. They will want to reinforce those MEPs who believe in the project, not help those trying to leave.

Let us examine today, for example, the prospectus of Jeremy Hunt. I thought he did a generally good job as Health Secretary. I liked the way he believed in the offer of free health care in relation to need. He worked hard to ensure higher quality care with better outcomes was the driving force in management. His record as Foreign Secretary has been more mixed. I find it odd that he has changed his position on Brexit, moving from saying No deal is an acceptable fall back position to now saying a No Deal Brexit is political suicide. He does not seem to have understood what Brexit voters were voting for last week, nor understood that the Conservative party can only rebuild its position with electors if it recaptures many of those Brexit voters who used to vote Conservative. I do not see how he would do that if he wants to block a No Deal Brexit. Nor do I see how he thinks he could get a better deal if he has taken No Deal off the table. The promise of just leaving was always the best way to secure a decent set of agreements on departure. It was a tragedy that Mrs May would not do this. Mr Hunt seems to be continuity May. I note that he only posted two items in his local constituency blog last year and one this year, and just one local issue in 2018 and in 2019 so far on his website.

Have I missed something about his candidature that makes him worthy of being PM?

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## Consultation with Conservative members over Leadership of our party

I am consulting widely over who would be best as the final two candidates for members to vote on in the forthcoming contest. Nominations close on June 10th, to be followed by a short and intensive series of votes over the following days to reduce what might be a long list down to just 2 for final selection in a members' ballot.

The idea is that as the Leader has the difficult job of leading of the Parliamentary party it is best for MPs to get it down to two, so either will have a reasonable starting level of MP support on election. I am happy to take advice from members, and to put worries of members to particular candidates. There are plenty of conversations going on between MPs already, before the contest proper starts. All the candidates are of course well known to me as we have been working together as colleagues for a considerable time. In an ideal world the MPs and the members agree on the best two, with the members then deciding between them.

I do not yet have one preferred candidate, so I am open to persuasion and advice. Some of them seem to me to be unlikely to attract much support and to lack the skills and or platform to be suitable. I doubt all the current would be runners will put in nomination papers.

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## We don't believe you – how Brexit is the front line for people to demand change from their political parties

I will be giving a talk at the IEA to develop some of the themes of my latest book "We don't believe you" and to put the analysis into a topical context.

The event will be at 6.15pm on June 11th at the IEA, by ticket through them here: <https://iea.org.uk/events/in-conversation-with-sir-john-redwood/>. They are at 2 Lord North Street SW1.

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# A many deals but no Withdrawal Agreement Brexit can make us better off

The government should announce a boost to the UK economy in the event of us leaving the EU soon without signing the Withdrawal Agreement . The public wants some sensible optimism about our economic prospects based on the opportunities Brexit presents. The aim of policy should be to ensure a growth rate a little higher in our first year as an independent country than the present estimated growth rate assuming we stay under EU rules and making EU payments for another year. The present government has been persistently gloomy about Brexit for no good reason, and got all its post Brexit vote forecasts wrong by being too downbeat. There are already deals on customs co-operation, transport and government procurement available for an early exit.

A number of leadership candidates have been kind enough to ask for my thoughts on the economic impact of Brexit and the current state of the UK economy. In the interests of fairness I thought it best to set them out on this public forum for those who are in practice interested.

The policy of a combined fiscal and monetary squeeze which the authorities have followed since the spring of 2017 has had the predictable effect of slowing the UK more than is desirable. Two interest rate rises, the ending of Quantitative Easing, the withdrawal of special facilities to encourage bank lending, advice against car loans and top end mortgages, the overshoot in deficit reduction last year through much higher tax revenues, the continued impact of the last Chancellor's decision to slash buy to let investment through tax changes and increased Stamp Duty, and the decision to cut new car sales by a large hike in Vehicle Excise Duty have had a marked effect on the housing and car markets and more generally on demand and output.

The Treasury seem to think leaving soon would be an adverse shock to the UK economy. I think this is wrong. The Treasury has a habit of wildly inaccurate forecasts over the EU. They got the impact of the Exchange Rate Mechanism hopelessly wrong by failing to see the recession it would cause , and got the likely impact of voting to leave in the first place wrong by forecasting a recession with big job losses which did not happen. However, given that is the Treasury view, it means there is an even better case for taking some reflationary action in an exit budget. You should spend £20bn extra in 2019-20 on a mixture of higher public spending to improve public services, and tax cuts to promote business investment and growth. This would use up the £12bn saved on no more net contributions to the EU and offset some £8bn of unplanned additional fiscal tightening from increased tax revenues. The aim

is not to borrow more but to reduce borrowing further as economic growth picks up and as tax revenues expand in response to lower tax rates which maximise revenue..

This would produce a 1% gain to UK output and incomes, all things being equal. It would offset any reduction in exports from moving to tariffs on product sold to the EU, which on a net basis should be considerably less than 1% of GDP. Any loss of exports to the EU from tariffs and other frictions would be also partially set off by the likelihood of substituting more home production, by cheaper imports from non EU replacing some of the large import bill we experience from the EU and by additional exports to non EU. If we assume we cut our external tariff to the rest of the world in ways which encourage more trade and reciprocation as we sign new trade deals the outcome will be better. A fiscal boost now of 1% of GDP should mean after all positive and negative effects of leaving our GDP will perform better in 2019-20 than if we stayed in. There would be a clear favourable confidence effect once we were out, with businesses able to make decisions knowing exactly what our trading and other arrangements are. We may well be able to agree trade talks with the EU to start on exit, which would allow them and us to avoid new tariffs and trade barriers under Article 24 of the GATT.

The government should reverse the damaging increases in vehicle Excise Duty and create a more favourable tax regime especially for clean and low emission vehicles. It should remove all VAT from green products to encourage everything from better heating controls to insulation. It should remove VAT from domestic heating fuel to tackle fuel poverty and cut inflation further. The UK has not been able to do this as members of the EU. It should take the rate of Stamp Duty down to the levels that applied prior to the 2016 budget, as the government has experienced disappointing receipts from the higher rates. They have hit turnover and therefore tax revenues by being too high. The government should review buy to let investment taxes to allow more investment in the sector. It should make a further reduction to business rates especially for shops given the problems on the High Street.

Spending priorities should include more money for schools, the police and social care. As I know from my experiences in the Wokingham and West Berkshire Council areas, the lowest financed parts of the country like ours are struggling with low budgets for these crucial services. We also need an accelerated programme of transport investment. You have recently announced substantial extra sums for the NHS which is welcome but now needs careful direction to ensure the money is spent on the service improvements and the extra medical staff we need.

Many Leave voters see Brexit as a great opportunity. With the right budget

the UK economy could perform better. Now is the time to stop the monetary and fiscal squeeze, to back private sector growth with the right tax cuts, and to back public sector service improvements and investment growth where it is needed. The sooner we have a stimulus budget based on the Brexit bonus the better. World economies are slowing. Now is a good time to give things a boost.

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## [What do you think of Michael Gove's candidature?](#)



<https://johnredwoodsdiary.com/>

Michael Gove is an intelligent man who has always had an impact on any department he has been given as a Minister. Some rate his reforms of education highly, tackling the educational “blob”. Others think he fell out with the teaching profession in a damaging way which did not help motivate them to reform exams and raise standards. He was not given time to see through his prison reform programme which looked interesting. At Environment he has become an energetic green, keen to tax and regulate to achieve green aims. His wish to curb plastic waste is generally popular.

He played an important role in the last leadership election by changing his mind on the suitability of his preferred candidate, Boris Johnson, on the eve of nominations. His decision to withdraw support from Boris Johnson whilst acting as his Campaign Manager led to Boris Johnson's withdrawal from the race and to the election of Mrs May. At the time Mr Gove told us he was not capable of being leader, followed by comments that he had changed his mind about his suitability.

Mr Gove previously joined the Vote Leave campaign and made some important media contributions to its success. When he rejoined the government he became a very strong proponent of Mrs May's Withdrawal Treaty, brushing aside criticisms that it is not Brexit, that it would delay our exit and undermine our negotiating position to eventually get out. Now that Mrs May's Agreement has gone down to a spectacular defeat, attracting just 9.1% support in a UK wide election, he needs to tell us why he thought it such a good idea and why we should still be considering it as part of the answer to our Brexit needs. It is difficult to believe even Mr Gove could sell it to the public, even if

he as capable of the unlikely skill of selling sell it to a shocked Labour party and driving it through the Commons against the wishes of Eurosceptic Conservative MPs.

I would be interested to hear the case for Mr Gove from those who do want him to be Prime Minister.