[The Heathrow decision]

I left making up my mind on how to vote on Heathrow until the debate. I wanted to hear from constituents, and also wished to get better assurances from those involved in the project concerning aircraft noise.

I received fifteen times as many emails urging me to vote for the airport expansion as against. Most of these were the common format email drafted by the pro Heathrow campaign, which clearly spoke for a number of my constituents.

The main objections came from those who find the current noise levels unacceptable. I agree, and have been pressing the airport, the airlines and NATs to take more action to control noise. All this relates to noise at the current airport, with its current pattern of flights. One of the possible advantages of installing more runway capacity will be longer night time hours when no flights will be permitted, with more capacity to handle incoming flights at the end of the night time ban period each day.

There will be further opportunities to press the interested parties on noise as they move to the next stage of their project, seeking planning permission and making the necessary environmental filings. Both Heathrow itself and the government have said they are working on steeper descents and ascents to lessen noise further away from the airport, quieter planes, more enforcement against noisy planes and pilots, and a new examination of current routes. The Secretary of State confirmed that digital technology will allow the usual elimination of the stack, as I have urged.

[The Heathrow decision]

Parliament yesterday voted to approve the third runway at Heathrow. This is the third of the three Hs of large scale infrastructure investment that this government has decided on. It is the most commercial of the three. Hinckley may lumber us with 5o years of very expensive power, unless the alternatives suddenly shoot up in cost . HS2 will be a huge loss maker for years to come on any sensible forecast. It is a disproportionately expensive investment for the railway as a whole, and will hit the revenues on competitor lines. Heathrow will be a successful hub airport with many people and airlines wishing to use it.

The issues surrounding Heathrow were not easy. Some felt expansion at Gatwick would be better. Some wanted a distributed system of growth with several airports in the south east expanding to take more flights, on the argument that hubs and interlining are not as important as some claim. Some wanted the lengthened two runway solution at Heathrow, to cut costs. Many of us want some better news on noise. Because the UK has developed an airport so close to a large conurbation it has created more strains between the settle population and their noisy neighbour. Having the airport to the west of London means planes cannot be stacked over the sea, which would reduce noise and risk.

There was general agreement that the UK does need more airport capacity in London and the south east. There is universal agreement that more direct flights to other UK cities would be helpful, reducing the strains on Heathrow with people flying down to London to catch an onward flight to somewhere else. This is mainly a question of getting to critical mass in these other cities to sustain a decent direct service.
I urged the Transport Secretary to intensify efforts to reduce current levels of aircraft noise, reminding him of the agenda of measures I have been working on with the Aviation Minister.

Trade wars and the car industry

Mr Trump regularly condemns the German car industry for selling too many cars to the USA. He thinks it unfair that there is a 10% tariff on US cars into the EU but only a 2.5% tariff on cars into the USA. Surely it would be better and fairer if the EU removed its tariff completely or took it down to a relatively unimportant 2.5%? The US has opened a formal S 301 review of car trade and will doubtless find that there are trade problems that need to be remedied.

This part of the trade war is not yet fully joined. The USA are still busy trying to get decent reform from China, where trade terms are skewed in China's favour and where China allows abuse of intellectual property. This set of actions followed a comprehensive report into China's handling of IP under a S 301 enquiry. China has promised more enforcement of IP protections, and more market opening. This will benefit the UK as well as the USA, as under WTO rules China has to offer the same improved terms to all members.Now Mr Trump is talking about a 20% tariff on EU cars anyway

If the EU accepts Mr Trump's case about the lack of fair trade in cars then that means the end of the 10% tariff for all WTO members. That too will be a good outcome for the UK as we leave the EU. The sooner we are free to wield vote and voice for fairer and freer trade the better. This is a time of change for world trade where the UK could make a great contribution to reform. The WTO has made clear that there is a vacancy for a substantial country to lead the case for freer trade within the WTO framework. They point to substantial gains anyway fro m last year's Facilitation of Trade Agreement which they think will cut costs of trade substantially.

Mr Trump asks how it is that the US has a massive trade deficit and Germany and China have massive trade surpluses. He points out that the US has many fine companies with great technology and great skill levels . He thinks the terms of trade are unfair, and need amending.

The UK too has a large current account deficit. Part of this comes from the substantial EU contributions and overseas aid we pay out. Stopping the EU payments will reduce our deficit by around 15%. The EU has always done more to open goods markets where Germany is strong, and less to open service markets where the UK is stronger.

The Bank of England wants to slow the UK economy some more

Mr Haldane's decision to vote for an immediate interest rate rise this week shows the Bank remains split and uncertain about its forecasts. They are still trying to get over their hopeless forecasts of recession in 2016-17 which was never likely. As Chief Economist he should understand that the tough actions of the FPC of the Bank have slowed credit and activity substantially over the last year. Money growth is very sluggish.
The car market has been brought down by withholding perfectly safe car loans from potential buyers. The decisions they took to cancel commercial bank facilities, to raise rates by 0.25%, to restrict consumer credit, and to toughen mortgage criteria have all played their part in slowing the UK to just 0.1% growth in Quarter 1. Quarter 2 will doubtless be a bit better, but they should not be thinking of more monetary tightening until quarterly growth gets back up to 0.6% or more. There is no likelihood of overheating given current levels of growth and sluggish money and credit. The slow performance in Q1 was not just weather related but points to the effects of policy actions taken. The Treasury has reinforced these problems with their tax attack on Buy to Let and higher priced properties in the 2016 budget and their tax attack on dearer cars in the 2017 budget, along with the general policy moves against diesels.

Some say there is a bit of wage inflation around. It is true the government has boosted low end wages through its Living Wage policy. It is to be hoped that low end wages will rise a bit more as employers compete for labour. It is also be hoped that firms invest a bit more so the people they employ can be more productive, earn higher wages, and see machines do more of the routine work. The Business department who spend a lot of time agonising over what might go wrong for the car industry when we leave the EU should get on with the day job, defending the car industry against domestic policy changes that clearly damage output whilst we are still fully in the EU. Why have they not spoken out about the bid drop in diesel sales?

2010-17 Huge increase in tax revenue, increase in public spending, deficit well down

The BBC want to peddle myths about austerity. On thursday I heard the World at One programme devoted to telling us there had been a big austerity drive in the public sector since 2010. They used the old Treasury figure that 80% of the adjustment to get the deficit down was made by public spending cuts, and 20% by increased taxes. The entire programme was devoted to this thesis, without any cash numbers for either revenue or spending being mentioned throughout!

So let me have another go at explaining what actually happened. There was a huge increase in tax paid which cut the deficit and allowed some increase in total public spending. Most of the tax rise came from growth in the economy, with some help from lower Income Tax rates. Judged by the numbers 100% of the deficit reduction came from more tax revenue. Of course some individual programmes were cut, but overall spending rose substantially in cash terms. The benefits bill is well up despite a good fall in unemployment. Health and education, large spending programmes, were protected from reductions. Payments to the EU and in Overseas Aid went up substantially.

In 2009-10 the state spent £669.7bn on current and capital public spending. it raised just £490.3 bn of this in tax. There were some additional receipts, leaving borrowing of a massive £156.4bn

In 2017-18 (Budget figures) the state spent £795.3bn. That is £125.6bn more than in 2009-10, a cash increase of 18.75%, a bit above inflation.

In 2017-18 the state collected a massive £692.8bn in tax revenue, an increase of £202.5bn or 41.3% above 2009-10 levels. As a result state borrowing fell to just £39.5bn, again after allowing for some other receipts.

In other words the deficit came down thanks to huge revenue increases.