The pound climbs against the dollar to its level in February 2016 before the referendum

This week the pound has reached $1.38, a level it was at in late February 2016 before the vote on leaving the EU. Its steady climb has received less attention than its previous fall, and is not usually attributed to Brexit in the way some try to explain any decline post the vote. This is a curious asymmetry in the commentary. I also wonder why they thought the pound often fell against other currencies when we were in the EU with no plans to leave.

Various contributors to this site keep alleging that trade would be very difficult under WTO rules with the rest of the EU. They need to explain how it is we have smooth trade with non EU countries at the moment under those same EU rules. They also ignore the fact that our current border for trade with the rest of the EU is a currency, Excise, VAT, anti smuggling and pro safety border requiring a range of checks and illustrating how much of this work these days is done by electronic manifest and checks that do not delay the flow of goods.

Taxing travel

I saw in the press the case made for private sector run roads. The IEA pointed to the shortage of capacity of the current road system, the high pay backs that new road investment would achieve compared to new railway lines, and urged a more radical approach. The present government has ruled this out, and is only considering road user charging for lorries, not for private cars. Without a system of comprehensive user charging private run roads with private new investment are impossible. This article is not an attempt to re open this issue, which the government regards as settled.

In the run up to the 2010 election I worked out a scheme to repay debt from franchise fees for roads whilst abolishing Vehicle Excise Duty as the Conservatives were keen to find ways of cutting state debt. I am not recommending this scheme now, but thought it might be of interest to see what has been explored and rejected in the past.

The aims I set were

1 Road users overall to pay no more in tax and no less as a result of the change

2. Tax road use rather than vehicle ownership

3 Raise a large sum of money from the private sector to pay off some national debt.

4. Government to retain the freehold of road network so we were not selling long term national assets

5 Motorists to display and register their insurance so there remained accessible records of vehicles in use

6 Private managers of the highways network incentivised to increase capacity,safety and availability of road space

7 Price controls to stop monopoly exploitation of popular roads at popular times of day.

8. Winners from the scheme to be people on lower incomes, low mileage drivers and users of roads at off peak periods

The scheme entailed introducing road charges to replace the lost VED revenue. The government was to offer franchises to manage and improve the main roads and to collect the charges to pay for the maintenance, management and franchise premium paid to the state. The franchises were to be auctioned for a specified price, with bidders bidding for length of contract. There would be absolute price controls to stop monopoly exploitation, allowing franchise holders to charge less off peak as they saw fit. The numbers worked to deliver £ 100 bn of capital to the government to repay debt, with later reversion of the franchises to do it again.

Private management of the highways was likely to result in improvements to flows and use, with less time with intrusive roadworks and closures. Franchise holders could add to the network, with incentives to spend capital on road improvement and protection for sunk capital if they lost the public sector road franchise.

The leadership considered it carefully but rejected it because it had a big political drawback . The public were so distrustful of government that they did not believe any government would honour the promise not to charge more. I accepted their decision and did not press the scheme. The scheme did of course offer a useful tax cut to those using the main roads less than the average. It was particularly helpful to low income and elderly households who drive fewer miles. The user charges only applied to the national trunk and motorway network.

Today interest rates are lower so the public finances would lose out from the loss of state revenue, so it is a non runner. The scheme worked financially only because the state saved in interest costs from debt repayment what it had lost in VED revenue forgone. Today some people are proposing a switch from VED to road charges but alll collected by the state. This cuts out revenue loss but fails to deliver service improvements in highway provision. With user charges the motorist would likely get even more critical of the poor service and availability of roadspace in the UK with a public monopoly.

Where should we buy our food?

The one area of trade which will be affected by moving to WTO trade arrangements in the event of no trade deal with the EU is the trade in food. This is the only area where high tariffs can be levied, and are currently levied by the EU on imports from outside the zone. Were we to adopt the EU schedule of food tariffs on leaving the EU, they would represent a barrier to continental exporters of food to us.

Our trade in food is in massive deficit with the EU. They sell us the bulk of the £6bn of meat we import, and much of the £10bn of fruit and vegetables. Since we joined the EEC/EU our home producers have lost substantial market share to the rest of the EU, and have found it very difficult to export to the continent. Our beef industry was banned from exporting for a long period, and our milk industry did not have enough quota to produce more. Since 1990 our meat output is well down, our milk output has flatlined and our potato output is down.

The Netherlands have been successful at taking market share for salad stuffs and vegetables. The Danes dominate the ham and bacon market, continental cheese producers do well, and the French and German dairy industries also export large quantities to us.

If the EU decides against a free trade agreement with the UK then UK farms will have a great opportunity to produce far more fruit, vegetables and meat for the Uk market. We could return from the 74% self sufficiency in temperate food to the 95% level we were at prior to the full impact of the Common Agricultural policy. We will also be able to remove tariffs from tropical food products which the UK cannot grow for itself, giving the consumer a better deal.

Economic assessments of leaving the EU

I have been sent a few copies of a lobby letter concerning the EU Withdrawal Bill which will have its Report stage in the Commons this week. The letter asks me to vote for an amendment that demands a full official economic assessment before MPs vote on any deal which may be agreed between the UK and the EU.

I see no need for more official economic forecasts and assessments. There have been many of them, including several official ones prior to the referendum and more official forecasts since the vote. The official UK study

– assisted by the IMF and World Bank – prior to the referendum wrongly forecast falling output, employment and house prices in the year after the vote if we voted Leave. More recent official forecasts of the UK economy estimate continued growth by the UK across the period of our departure, which seems to me to be more realistic.

The UK growth rate 2019-22 will depend much more on domestic policies pursued, and on the world economic background, than on any particular form of Brexit. If the UK government sets a sensible tax and spending policy, and with the Bank of England allows a reasonable expansion of money and credit, the economy will perform fine. As the world economic background is likely to be expansionary with tax cuts, fiscal stimulus, banking deregulation and more energy coming from the USA, easy money in the Euro area and Japan, and decent growth from the emerging market economies, that too will help.

It is difficult to see how the forecasters of gloom could   believe voting to leave the EU would damage our growth, or why actually leaving will damage our growth. They wrongly thought consumer confidence would collapse, and now have unrealistic views that we will lose trade because the EU will wish to invent ways of stopping their exports to us so they can damage our exports to them. They need to understand that the EU and the UK will remain under WTO rules whatever deal or lack of deal is achieved. These rules and low tariffs or no tariffs outside agriculture have allowed a good expansion of trade in recent years for countries accepting the WTO system.

The parole case

A number of constituents have written concerning the Parole Board's decision in the Worboys case to express concern about his release. I have explained that Parliament too has expressed concern and has asked the government to reconsider.We have an independent Parole Board to make individual case decisions where Ministers do not intervene. Following the concerns expressed in the country and in Parliament we learn today that the government is seeing if there is any basis for them to intervene in this case through a Judicial Review. That will require evidence that the decision has not been properly made by the Board.