Facebook and new technology backs the UK

Yesterday's opening of the new Facebook headquarters was a timely reminder of how the business community sees us. Facebook has chosen to invest in an important new architect designed building close to Oxford Circus and to expand its workforce substantially. It is recruiting engineers, as it likes the UK as a base for designing new technology services. It is setting up an incubator to help mentor and assist some of the UK technology start up businesses. Facebook appreciates the UK as a source of talented employees, a good base for business, and a place that offers world class accommodation and facilities.

Google too has grown quickly in London and is taking substantial space.It is working on a 1 million square foot headquarters at Kings Cross. Amazon meanwhile is attracting more and more business from UK shoppers and is taking on a range of properties around the country to allow it to deliver products in a timely and efficient way.

The new economy majors see the UK as a fast growing opportunity, with many people wanting to expand their use of digital media for everything from shopping to their social life, from news and entertainment to banking. These latest investments are important for future UK growth and development.

Two views of Brexit

Brexit continues to dominate the media because there remain two different views of how to implement it.

There are those in the civil service who understand the wish of the majority to leave. They realise we voted to take back control of our money, our borders, our law making and our international relations, especially on trade. They are working diligently on what can come as soon as we leave. They are planning a new fishing policy, a new agricultural policy, new trade deals with non EU states, and much else. I am pleased they are and look forward to the results of their detailed labours for Ministers.

There are others who seem to think after Brexit we need to mirror all the arrangements and controls we had when in the EU. They have been busily mapping every nook and cranny of EU involvement and interference in our government and daily lives. They present each intervention or control as a problem, or as something we have to negotiate to continue it or to replicate it. They also seem to think the UK is in a weak position because in their view it needs to keep so much, so they recommend making many concessions to the EU negotiating position in order to cling on to something similar to what we have.

There is an irony here. The Remain advocates who encourage this type of thinking are often the same people who told us before the referendum that the EU did not have much power over us, that we remained a sovereign state even within the EU, and that Eurosceptics exaggerated when we claimed the EU now does control a lot of our lives. The vote has made a difference to their view on all this.

The truth is the EU does currently control a lot of matters which a self governing country controls for itself. We have agreed between remain and Leave advocates following the result that we should aim to take back control of our law making on departure, but to ensure continuity we will replicate in UK law all the features of EU law. Parliament will then at its leisure review, amend or repeal what we do not need or can improve.

This model should not be diluted by rushing to agree permanent extensions of EU law, or by seeking to newly bind us into decisions of the ECJ or into regulatory bodies we do not control. We can only only take back control of our laws, our money and our borders if we leave with no further commitments to EU jurisdiction. We also need to remind the EU there is no legal requirement to pay a so called divorce bill, and I still want us to spend our money on our own priorities from the day we leave the EU. The government still states its policy as taking back control of our laws, our borders and our money. That is all a good idea. Let’s set the deadline as 29 March 2019 and work to it. There is still enough time to ensure all works well under the WTO option if the EU continues to refuse a sensible discussion of a Free Trade deal.

The US Senate votes for tax cuts

The Republicans cleared a big hurdle this week with the Senate voting for a sweeping tax reform with substantial tax cuts for individuals and companies. It is true the Senate Bill and the House Bill still need to be reconciled, because there are differences between them. There could still be last minute problems which stalled the policy. However, the Senate vote and the House rhetoric implies that they do think they need to pull this off. The Republicans could ill afford a failure on tax reform after their public inability to agree reform of Obamacare. They need something to show for their year’s debates. They are more likely to keep their majority in the mid term elections if they can show solid achievement.

The tax reform is also more likely to win them friends and voter support than the healthcare reform which divided the nation as Obamacare itself did. Whilst it is true some of the polling on the tax cuts themselves is not great, there will be huge support for measures which boost growth and take home pay. Voters often tell pollsters they do not in aggregate want tax cuts,especially if they think the cuts go to companies and people richer than themselves. They also tell politicians in the ballot box that if the politicians vote to put their taxes up or fail to support tax cuts they will vote for someone else instead. People may not welcome large company tax cuts, but they will welcome more investment, more jobs and better pay from companies that retain more of their profits, and they will like the boost to pension funds and other savings vehicles from a stronger corporate sector.

This large tax reform is a game changer. It is a substantial fiscal stimulus to the US economy as conventionally defined, with a costed $1.4 tn of giveaways over ten years. The US may end up collecting more tax than forecast as the rates are cut, as official forecasters often underestimate the dynamic positive effects on turnover and revenue from lower rates. The idea of persuading more companies to repatriate profits and cash to the US with a lower rate could also work, giving US companies much more money at home to invest to grow their US businesses.

There will be beneficial effects for the rest of the world economy as the growth rate of the world's largest economy accelerates. The rest of the world needs also to understand that with these tax changes the US will get more competitive, and will become a relatively more attractive place for investment.

Better train services

I held a meeting this week with the Rail delivery Group about how to expand capacity and improve services on the railways.

I was restating the case for digital signalling, which can lead to running more trains safely on the same track. It also could enable better and faster broadband on trains for those using smartphones and travelling computers.

I asked if they could consider running some faster trains on the Reading-Waterloo line that stopped at fewer intermediate stations, when they added capacity to the line. This might entail more passing places along the route.

I also raised again the issue of making better use of railway property and keeping it in good order. I also asked for good co-operation on providing more bridge capacity over the railway lines, as the major east-west rail routes in our area create a substantial barrier to north-south traffic.

They said there was work in progress on more digital signalling and possible joint ventures with broadband provision alongside rail track. They also agreed there were more opportunities to develop and use rail property.

The pound hits $1.35

When the pound was going down we had daily reports of how worrying this was, usually ascribed for no good reason to Brexit.
The pound is now up by 12.5% from its recent low, but there is little comment. It does not normally feature on news broadcasts in the way it did when going down. Is this big move up also because of Brexit? Is it good news?

I have both before and after the vote said that the pound has been volatile against the dollar and the Euro all the time we have been in the EU, and will doubtless still go up and down once we are out of the EU. Its movements are not usually to do with the Brexit.