

This election and Brexit

I have spoken to various Remain voters so far during this election. Many say to me they accept the result of the vote and just want the government to get on and do the best deal they can. Some tell me they voted Remain because they did worry about the possible economic consequences, and they are now relieved to see the bad predictions of recession this winter and collapse of confidence did not come true.

A few have told me they still cannot accept the decision and still fear there will be bad economic results in due course. They seem to think when we leave there will be all sorts of new barriers and restrictions imposed which will get in the way of normal travel, trade and collaboration across the Channel. They have perhaps been Lib Dem voters in the past and are often particularly concerned about academic and student links, research and cultural exchanges.

Let me try to reassure. The UK government has made very clear it wants a UK open to talent and university collaboration. The UK is not planning closed borders, making it more difficult for people to come here to courses in UK universities. We will still welcome tourists, visitor performers, people with good qualifications, entrepreneurs wanting to invest. The government will be generous with visas for talented and qualified people wanting to come to the UK to be faculty members, just as we are today with academics coming from the USA and other non EU countries. It will also want to see a continuation of the many musical, artistic and cultural links and exchanges that take place with EU and non EU countries today.

Nor do I expect the rest of the EU to want to stop EU citizens travelling to the UK or undertaking university work here. Under international law the EU would not be able to block people and ideas to and from the UK, nor can I imagine they would want to. There are no restrictions the EU could place just on the UK – they would have to be common restrictions against the rest of the world. I do not think the EU wants to cut itself off.

The UK has several world class leading universities and many other good ones. Their interests will be upheld by the government. More importantly, as the UK and the EU both pride themselves on a belief in freedom and on a pluralistic society, universities, individual students and academics will remain free to travel, study, work and collaborate in each other's countries as they see fit. I want to live in a free society. Such a society does not stop free institutions doing as they wish, and allows them under the law to pursue their aims and development. Some people think government is more important and more powerful than it is, and have a very dim view of how the EU will seek to behave.

Published and promoted by Fraser Mc Farland on behalf of John Redwood, both at 30 Rose Street Wokingham RG40 1XU

Forecasting the future

Today I am publishing another piece with no reference to the UK or the election. I will resume normal posts tomorrow when national campaigning starts again.

Events, dear boy, events. Policy makers, governments and companies need to forecast the future as they shape their policies and decide what to do to serve their citizens or customers better. In recent years the main international forecasters like the IMF and World Bank, the ECB and the US authorities, have struggled to anticipate the banking crash of 2008-9 or the Euro crisis that followed. Many companies have expressed surprise at the turn of events from Tokyo to New York, and were not anticipating the election of Mr Trump.

As someone who tries to set out a view of what might happen next by way of important background to policy debate, it is important to think through how you can improve your chances of understanding the trends and the risks. You begin as most do by forecasting the "knowns". You can people your forecast with factual dates for future elections, Central bank rate setting meetings, publication of important results, dates of Budgets and the like.

You can then move from this easy bit, to trying to forecast the unknown element within these events. I know the Fed will consider interest rates at its June meeting. I do not know what it will decide to do, though with many others I expect it to raise rates by another 0.25% based on what I have read from the various statements and analyses put out by the Fed and its members. Sometimes your chances of success are high because the organisation has given a steer or clear briefings in advance. Sometimes the data they will consider is available and again it may be obvious what they have to decide. I did not know Mr Trump's budget, but a lot of what he is proposing was in his programme for government put out by candidate Trump, so it was not that difficult to guess. I did not know Mrs Merkel would decide to cancel all her nuclear power, but could see that might happen by watching the pressure she was under from the anti nuclear lobby.

There are then the unknown unknowns, as Mr Rumsfeld once famously said. No one could know that a Japanese nuclear power station would be badly damaged by a tidal wave, leading to a major change of energy policy. All you can do is adjust your view promptly if such a thing happens.

The reason some of the world institutions are so bad at forecasting economies is they have a vested interest in stability and come to believe their own reassurances. They missed the build up of excessive credit because they persuaded themselves that the world could suddenly handle levels of debt and gearing through derivatives that would have been dangerous before. Worse still, they then brought the whole structure down by lurching to too tough a stance, presumably because they did really believe all these positions were

risk reducing! An outsider could see more clearly. Many of us saw the build of debt and gearing in the EU and US was excessive and said so. A few of us saw the change of stance by the authorities was disastrous. If there is too much debt around the last thing you want to do is so tighten money that people cant afford to service their loans.

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[Wokingham election meeting with all candidates](#)

This meeting scheduled for this evening at the Forest School has been cancelled by the organisers following the tragic events in Manchester and the decision of the main parties to suspend election activity.

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[India and China will help the world economy this year](#)

There will be no campaigning today in the General election. Parties wish to respect the memory of those killed so cruelly in Manchester. I provide a blog today about an unrelated subject.

Between them India and China account for almost two fifths of the world population. Both have in recent years been growing quickly. China enjoyed a major growth spurt based on industry, exports and heavy investment. More recently India has moved ahead of the slower Chinese growth rate based on a more balanced growth, coming from a lower average income level.

China is now the world's second largest economy thanks to the size of her population and the dominance of her industry. She makes half the world's steel and similarly large proportions of many manufactured goods. There are constant fears expressed in the West that China will experience a hard landing. Commentators who missed out on predicting the western banking crash think China might have one of her own. It's an odd argument.

They usually compare total economy debt in China with state debt in the West.

If you compare total debt with total debt as a percentage of GDP China is still below a number of western economies. It is true there are potential bad debts within the Chinese nationalised sector. As the Chinese authorities own both sides of the transaction they can sort it out without bringing down the banking system.

Meanwhile India is getting the taste for modernisations and reform from Mr Modi. Following his successful conversion of a lot of cash into bank account money, he is now turning to sales tax reform. He wishes to sweep aside numerous complex transaction taxes imposed on a state by state basis and replace them with one GST India wide. It will greatly simplify doing business across borders within the country.

It looks as if this year again both India and China will make important contributions to world growth.

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[Manchester bombing](#)

I send my condolences to the families of those who died in the explosion, and my wishes for a speedy recovery to the injured. This is reported as a senseless and cruel act of terrorism, attacking families just having a good time on a special evening of entertainment. Such evil violence wrecks the lives of those caught by it.

I have delayed the publication of the piece I had written for this morning and will not be campaigning in the election today.

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