Prosperity not austerity

On Thursday I set out the opportunity we have to set a new fiscal framework or economic policy once we are free of EU Treaty requirements. They have made us run our economy with the twin aims of cutting the government deficit and cutting state debt as a percentage of GDP. Labour, the Coalition and Conservatives in government since 2008 have accepted these imperatives and set the debt and deficit targets as required.

I recommend that the purpose of economic policy is changed to

The promotion of higher living standards through the growth in real incomes for all

The target should be

Government policy should aim to achieve over the next ten years a rise of one fifth in average individual spending power. Average net incomes should rise by one fifth plus the amount of inflation as measured by the CPI(H) index

The government should also continue to be prudent with public finances. It should adopt a Balanced budget rule. This should say

The government will ensure it collects enough revenue to pay for all current spending. It may apply a symmetric cyclical stabiliser, running a surplus during good growth and a deficit during a bad recession.

The government may borrow for public capital expenditure purposes. Each project approved must meet an appropriate test to establish it will make a decent economic return or to establish its importance to the provision of an approved list of public services free at the point of use.

This new fiscal framework would allow us to reduce the tax burden today to boost real incomes and promote more growth as a result

---

The costs of greening

Scottish Power have this week published a partial costing of how much the UK will need to spend in order to achieve the government's stated target of zero net carbon dioxide from human sources by 2050.

Labour, the Lib Dems and Greens wish to accelerate this timetable. Glasgow plans to reach net zero as soon as 2030, and Liverpool by 2040, so these cities with a few others need to speed up their plans to convert current activities to hit their targets.

Councils and local bus companies can press on with replacing diesel and hybrid buses with electric vehicles. The state owned railway can carry on its expensive electrification schemes to switch more trains to all electric. The government can push the electricity industry harder to switch over to all renewables or carbon free generation. All of these come with a substantial public sector as well as private sector cost.

In two of the largest areas, cars and homes, individuals and families will need to meet most of the cost. The Scottish Power report tells us they think we will need 25 million electric charging points for electric cars to complete the transition. The Scottish government plans to phase out all diesel and petrol cars by 2032, with the UK government doing the same by 2040 where there is no quicker devolved government timetable. Their estimate of charger costs is £45bn, with additional costs to expand electricity output to meet the much enhanced demand. Individuals will have the investment costs of the vehicles to contend with.

The charger points will be partly financed by the private sector. I assume individuals will be responsible for the costs of chargers at home. Energy companies may put charger points into present filling stations or other suitable properties. Supermarkets and other companies and institutions may make public provision. Doubtless there will also be a taxpayer expense for various public sector charging points.

The Report says that 22 million homes will need to switch their current heating systems largely based on gas to electric powered heat pumps. This could cost £192 billion. Much of this cost will presumably fall on the consumer. I trust there would be financial help for those on low incomes as new boiler and heating systems with heat pumps are very expensive items if and when this becomes compulsory.

The UK has announced there will be no new gas boiler heating systems installed after 2025. There will be a substantial cost early in the next decade to retrain many heating engineers into the new technology.

I would be interested to hear your thoughts on all this, and in particular to know who wishes to be an early adopter of the new domestic heating systems recommended.

NHS England Concludes Wide-Ranging Deal For Cystic Fibrosis Drugs

This is excellent news which will be welcomed by my constituents who need to access effective cystic fibrosis medicines:

NHS England has today announced it has secured a definitive agreement with

Vertex Pharmaceuticals to make available all three of their UK-licensed cystic fibrosis medicines.

This means NHS patients will now have full access to Orkambi, Symkevi and Kalydeco, and around 5000 people may now take up these treatments. There is no cap on patient numbers, and each and every patient in England who might benefit can now get these treatments, free on the NHS. Clinicians will be able to begin prescribing these drugs within 30 days.

NHS England has been able to finalise this negotiation because the company agreed confidential commercial terms that constitute good value for British taxpayers and agreed to submit its drugs for full NICE appraisal.

The agreement provides access to all three drugs for all current licensed indications, as well as future licence extensions too.

Investment in world-class, cutting edge technologies and treatments is at the heart of the NHS Long Term Plan. Over the last two years, as envisaged by the Accelerated Access Review, NHS England has established an expert commercial drugs team which has been working closely with industry and NICE, and has successfully negotiated a number of innovative deals, making new and promising treatments available for NHS patients. Recent such 'smart deals' include:

- a deal to make ocrelizumab, an innovative multiple sclerosis drug available;
- a ground-breaking deal which could eliminate Hepatitis C;
- a £300 million saving after negotiating deals with five manufacturers on low cost versions of the health service's most costly drug, adalimumab;
- striking the first full access deal in Europe for CAR-T therapy via the Cancer Drugs Fund, which can potentially cure some children and adults with blood cancers where other treatments have failed, and;
- reaching a deal to make the life-extending lung cancer drug pembrolizumab available for routine use on the NHS
- a deal to make nusinersen available – the first treatment that targets the underlying cause of spinal muscular atrophy

---

A new economic policy?

It's time to hear from the government a new economic policy. As we leave the EU we should abandon an economic policy based on the twin requirements of EU policy, the reduction of the running deficit of government and the reduction of state debt as percentage of GDP.

I know when I have mentioned in the past the importance of the Maastricht debt and deficit controls to UK policy some have written in to deny this. Let me remind you of the extent of the EU requirements on the UK since 2008.

The UK was under EU budget control from 2008 when Decision 2008/713 stated the UK was running an excessive deficit and had to take action to reduce it. The deficit worsened thanks to the great recession, so they reinforced the requirement. They required us to make spending cuts and tax rises worth 1.75% of GDP a year (£38.5bn a year at current values) from 2010/11 to 2014/15. In 2015 they reviewed the position and renewed the requirement to cut spending or raise taxes as they remained concerned about the level of state debt to GDP. They set specific reducing deficit targets of 4.1% of GDP for 2015-165 and 2.7% of GDP for 2016/17. The UK government always filed the relevant figures and submitted to the discipline imposed, as it is required to do by Treaty .

In 2017 they decided the UK had complied and lifted the excessive deficit plan after a nine year programme of cuts. They however said “As from 2017-18 the UK is subject to the preventive arm of the Stability and Growth Pact and should progress towards the minimum medium term objective at an appropriate pace…and comply with the debt criteria in accordance with Article 2(1a) of Regulation EC No 1467/97.” (i.e. the aim of economic policy had to be to get state borrowing down to 60% of GDP from around 87% over the medium term).

As we come out of the EU this ceases to apply. The UK needs a new fiscal framework which helps us promote growth, jobs and higher real incomes. We need a purpose and guides to economic policy based on these good outcomes for people, not a policy based on getting state debt down as a percentage of GDP.

Of course there needs to be a prudent control on extra debt incurred. There is nothing unstable or unaffordable about current levels of state debt, especially taking in to account around one quarter of the state debt is owned by the Bank of England which in turn is owned by the state!

A sensible rule could be that additional state borrowing should not exceed the levels of public sector investment. The government will ensure the current account of the government is in surplus or balance. On 2020-21 figures from the last Red Book this gives the state the opportunity to borrow 3% of GDP, the forecast level of investment, which would allow a sensible fiscal expansion. Tax cuts of around £10bn on top of the spending increases announced should be possible. There could be a recession override allowing fiscal stabilisers i.e. a bigger deficit to apply were there to be a nasty downturn at some time in the future. I am not currently forecasting a Uk recession

references

European Council Decision 2008/713/EC

2009/409/EC Council decision

2015/1098 Council decision

14852/17 Council decision

Update on Wokingham Borough Council’s highways programme

I have received this update from Wokingham Borough Council:

Wokingham Borough Council takes another step forward in its fight against congestion as its major highways project reaches another milestone with the final section of the North Wokingham Distributor Road (NWDR) receiving planning permission.

Once complete, the full NWDR, which is scheduled to open in its entirety to traffic in autumn 2021, will connect the A329 near the BP garage on Reading Road, with the A329(M) Reading to Bracknell motorway near the Coppid Beech roundabout junction. It will provide a link from Winnersh to the A329(M) enabling road-users direct access without the need to go through Wokingham town centre which will also help to alleviate congestion in the town centre.

Sections of the NWDR are already operational, with other sections due to commence construction shortly. The construction on the final section of the NWDR, referred to as Ashridge Farm, planned to start in Autumn 2020 and detailed design work is already underway. Site preparation and utilities re-routing works begin later this autumn.

When complete, the new road will provide access to the developments at Matthewsgreen, Kentwood Farm and Keephatch Beech and provide these areas with convenient and direct access to the motorway network giving access to both the A329 (M) and the M4. It will also provide a link from Winnersh (A329 Reading Road) to the Coppid Beach Roundabout with the A329(M).

“We are building vital new strategic roads and carrying out significant highway improvements which will help facilitate growth in the borough and alleviate congestion,” said Cllr Pauline Jorgensen, executive member for highways and transport.

“We are committing substantial investment, secured from developers, in a wide range of infrastructure, including new schools, open spaces, sports, leisure and community facilities, and roads, amounting to nearly £1 billion of investment”.

NWDR is part of the council’s major highways project that also consists of South Wokingham Distributor Road, Winnersh Relief Road, Arborfield Relief Road and Barkham Bridge, as well as the completed Shinfield Eastern Relief Road, all of which are being built to minimise the impact of traffic growth around the new housing developments and surrounding areas.

For further information on the major highways project visit the council’s website and search major new roads