The fall in the pound mainly occurred before the Brexit decision

Today we will doubtless hear plenty of ill informed discussion about car sales and the fall in the pound. So let me remind people of what has happened to the pound in recent years.

It reached a peak of $1.71 on 6 July 2014. It fell to a low of $1.38 on 28 February 2016, well before the referendum vote when the establishment and City were still all convinced we would vote to stay in.

It was only at $1.41 on 14 June before the vote, and fell to $1.29 on 7 July after the vote. It is currently at $1.35. As you can see from these figures the pound has moved in big swings in recent years, largely unconnected with the referendum. I doubt those who think the referendum is the main driver argue that the pound has rose 7% against the dollar last year because of Brexit.

The fall in diesel car sales is nothing to do with Brexit

Car sales rose well against the background of a falling pound in the year before the Brexit vote, and rose strongly for the first nine months after the Brexit vote when the pound fell further. Since April 2017 diesel car sales have fallen sharply, whilst petrol and electric car sales have risen but not by enough to offset all the fall in diesels. This has taken place against the background of the pound rising against the dollar and the yen and stabilising against the Euro which has been strong against all currencies. This history shows it was not the Brexit vote that caused the change in the market for diesels.

The SMMT and the media do accept that tax changes and a different mood towards diesels account for some of the fall. They should remember that the April 2017 budget increased VED strongly for dearer new cars. Presumably the intention was to cut sales of higher priced cars, and it certainly worked. There are also discussions about further taxes and bans on diesel cars in various towns and cities. This is leading some potential buyers to put off a decision pending greater clarity over whether modern cleaner diesels will be allowed in all places in the UK and what the tax regime for them will be. April also saw the tightening of new car lending by the authorities which added to the problems in the car showrooms.

What do people want from a currency?

I find many people still want to talk about crypto currencies. There is a line of thought amongst entrepreneurs and radicals that wants a crypto currency to emerge that is free of the controls of governments and Central Banks, reflecting their distrust of these organisations. There are two main lines of criticism of national monopoly official currencies. The first is the way most of the countries backing these currencies allows or even encourages some inflation, reducing their real value over time. The second is the way national monopoly currencies give the authorities greater controls over people's money and their way of life.

It is true that most Central Banks aim for a gentle devaluation of their money by around 2% per annum, as they think a little inflation helps growth and economic change. Sometimes they lose control and end up with considerably higher rates of inflation. Individuals in a free country which allows its citizens to buy and own real assets and other national currencies can protect themselves against an undesirable inflation in their national money by owning inflation proofed assets like local currency index linked debt or by holding other currencies less exposed to inflation. Inflation linked bonds, property and shares have some inflation beating characteristics. The so called crypto currencies have so far not proved to be a low risk way of protecting yourself against inflation in your national currency. There has been extreme price volatility, producing either an excess return well above the inflation erosion of your base currency, or days of large price falls reminding you that in the wrong one of these vehicles you could lose the lot.

It is true people can design crypto currencies with clever ways of restricting supply of them. All the time there is an increasing number of people willing to believe in their properties, this can create substantial upward pressure on their value. However, there is also a central paradox. To create the magic ingredient of pressure for the price to rise requires tough restrictions on the issue of new crypto currency. This means such a currency will struggle to be liquid enough and universal enough to meet the test of effective money that is freely and widely accepted in payment. National currencies are very flexible in response to demand for more money for legitimate uses. The very flexibility that allows too much money to chase too few goods, leading to inflation, is also a crucial feature to allow money to expand as economic activity expands to permit growth and business success. Judging the right amount of money, as Central Banks have to do, is a difficult task to get right.

Some of the advocates of crypto currencies I have listened to are even more concerned about the way commercial banks holding our deposits in national monopoly currencies are increasingly the regulated creatures of the state allowing the state to exert substantial control over our finances. The answer to this is not to create a new non government currency which allows people to break the tax and financial laws. The main reason states are so suspicious of crypto currencies is they fear they can and will be used by drug traffickers, terrorist organisations, large scale tax evaders who want a currency that is not reported to the authorities and which allows them to do as they wish without trace. Some people used to like bearer bonds, gold bars and other stores of value that avoided direct reporting to tax authorities, but gradually governments brought these under regulatory control. Anyway people often found they had to use the normal banking system and monopoly currencies at the end of the process when they wished to spend their wealth.

The case for crypto currencies has to be made for reasons other than the dislike of tax that a national authority seeks to impose. If there are too many taxes or they are at too high a rate there has to be democratic pressure to change, or the person who objects strongly has to move to a lower tax jurisdiction to live and work permanently.

We have a nationalised railway in all but name

There seems to be a widespread misunderstanding about our railway. The tracks, signals and stations are all in public ownership and are run as a nationalised industry. The private sector train companies bid for a monopoly franchise on a single route, and have to meet detailed specifications for timetables and services laid down by the government and rail regulators. There is little scope for competition, innovation or adventurous uses of private capital.

The great frustration of some commuters with their rail service is understandable. Some lines are badly affected by poor labour relations leading to a series of strikes which interrupt the service. Many lines are suffering from a lack of capacity, as the nationalised rail company is unable to provide the capacity commuters need on busy routes to the train operating companies. Train operating companies would often be willing to run more peak time trains if only there was line capacity to do so.

That is why I have been urging the nationalised Network Rail for some time to adopt better signalling systems that would allow more trains to run on the same track compared to the 20 an hour which is the common experience with today’s signals. If they adopted new systems that allowed 30 trains an hour we could enjoy a 50% increase in seat capacity and trains running for a modest outlay of public investment.

The idea that we should complete the nationalisation of the railways means cancelling the train operating franchises, probably as they expire, and arranging finance to buy up trains to run as the train operations rejoin track provision and maintenance in the public sector. This would impose an additional financing strain on the state, but would not lead to much change in train services. As the timetables, fare regulation and the provision of the bulk of the railway assets is already in state hands it is difficult to see there would be much change for passengers. How would a nationalised railway resolve the disputes with employees that currently disrupt some of the private sector franchises? At least the periodic advertisement of franchises provides some modest competitive stimulus to better performance that would disappear with a wholly nationalised monopoly.

Network Rail last year (to March 2017) lost £990 million. Its outstanding borrowings were £47bn on a small equity base.

Money for local schools

I am grateful to those who sent me Christmas cards from local schools and added a message that our schools need more money. I agree, and have been pressing the government for this for sometime. I have been an active supporter of Fairer Funding for Schools at Westminster where a group of MPs has pressed for more money overall for schools budgets and a fairer funding formula between different local authorities and schools. As a result Wokingham schools will be receiving more next year, and I will keep pressing for further improvements.

I have also received a number of messages written in capital letters on various pieces of coloured paper also advising me of the shortage of money in some school budgets. As there is no name or address unfortunately I cannot reply to each of these. It is helpful if people do add their name and address, allowing me to reply and to seek further information where this would be useful. It appears these messages were all written by the same person using the same pen. I would judge them to come from a school source and to be from an adult. It would be good to know who sent them so I can reply properly.