Brexit is an important political event but not an important economic event

The opponents of Brexit who are still out to stop or dilute it seem to see Brexit as some big economic event. It is difficult to see why.

They concentrate on trade. There is no evidence that joining the EEC or completing the single market did anything to boost UK growth so it is difficult to see how leaving it will do the opposite. Our trade with the rest of the world handled with tariffs under WTO rules is continuing to expand more rapidly than our trade with the EU. The figures quoted for the proportion of our goods and food trade that is with the EU fail to point out it is far more imports than exports.

I predict that you will not see the impact of Brexit on world growth or world trade figures after we have left. If there are tariffs we may import more food from non EU sources and less from the rest of the EU but not much else will change. We will certainly grow more of our own if the EU insists on tariff barriers.

It is also likely the EU will want tariff free when they think they have wrestled as much cash as possible from the UK government in search of a deal. The big win economically for the UK will be saving the money we send them. The more we delay taking control of our own money, the more we delay getting the benefit. The win is a double one, as it will lead to a sharp improvement in our balance of payments when we cancel the contributions, as well as giving us money to spend at home on our own priorities.

I assume the briefings that the UK government is offering E60bn of divorce settlement is disinformation. There is no way the public will accept that, and unlikely the UK government would have offered anything firm just to hold talks that the EU is going to hold anyway.

I see we are now going to train more nurses at home instead of expecting to bring in more EU nurses after we have left. All EU nurses currently here are of course welcome and can stay as valued members of our society, but it must be a good idea to train more of our own and work away at reducing unemployment further.

Those who say non tariff barriers and delays at borders are issues under WTO procedures are out of date. In February this year the new Facilitation of Trade Agreement by the WTO came into force which will work well.

[The UK Treasury needs to wake up to the power of those US tax cuts]

I read in the papers that the Treasury is busy scrambling around to find more taxes they can put up. If they stopped giving away so much of our money to the EU and stopped trying to find ways to carry on giving away our money to the EU they would not need to worry about where to find the cash. If they fully embraced the idea that lower tax rates often lead to higher revenues we could make more economic progress.

This week the Republicans at last rose to the challenge of tax cutting. They announced a blockbuster package. If it or something like it passes it will increase US growth materially, it will be a boost to the whole world economy, and it will suck business into the USA from higher tax regimes elsewhere.

The Bill includes slashing the Corporation tax rate from 35% to 20%, and to just 12% as a one off to get large US corporations to repatriate profits they have been holding offshore to avoid high rates. It gives a big boost to the average earner by cutting bands of Income tax from 7 to 4, and lowering the tax take on all but the richest. It is costed as providing a $1.5 trillion stimulus over ten years. In practice I suspect the proposals will collect rather more revenue than the conventional official models predict, but it will certainly be stimulatory in its impact.

We do not need at the same time a budget in the UK looking for new ways to tax small business with extra VAT or National Insurance. We can live without a tax attack on the self employed. We do not need further tax attacks on homeowners. We need to match the US approach and show some enthusiasm for lower tax rates. We need a more dynamic economy, collecting more revenue, which comes from fewer, simpler and lower tax rates.

So much of the UK economic establishment is dominated by endlessly repeating the arguments of the Brexit referendum for no good reason. Instead they need to talk about tax cuts and tax reform, appropriate deficit levels and Central Bank policy. There is a danger the UK will be left behind by the boldness of the US approach. If they carry this package or something like it it will have an electrifying effect on the US economy.

[Meeting the Focus School]

I went to visit The Focus School yesterday and spoke to the pupils about my work as an MP.

They showed me their projects on the Anglo Saxons which were impressive, and the School choir sang.

The School's Inspection report is good. The pupils participated well in the lessons I saw, and their project work reflected the emphasis on individual learning with personal research and enquiry.

What would a better Bank of England policy look like

The Bank and the FSA allowed far too large an expansion of credit and derivatives prior to 2007, as many pointed out at the time.

They then decided to crash the banking system by withdrawing liquidity and putting up rates, leading to the Great Recession.

Since then they have restricted banks in making new loans, and have sought to offset the negative effects of this on jobs and output by keeping interest rates near zero and creating money themselves which they inject by buying up state debt.

Savers suffer from the low rates, but benefit from the inflation of asset prices this causes. Credit is cheap from banks but rationed strictly. Alternative credit from shadow and non banking sources is quite expensive.

This is not a good model. Getting to a better one will take time and patience, but we need to sketch the direction of travel.

The first task is to wean us off QE, by setting out a programme to cancel the state debts the state now owns and to cease reinvesting the income and capital proceeds from the state owned bond portfolio. We will then see that UK state borrowing as defined by international standards is relatively modest at around 65% of GDP.

The second task is to allow the commercial banks to create a bit more credit to finance a bit higher rate of growth. This should be done by adjusting the macro prudential requirements now that the banks have much better capital and reserve ratios.

When better growth is restored then the Bank can gradually increase rates when the data justifies it.

The aim should be to end up with 2% inflation, growth at over 2% and a small real return for savers instead of a negative real return.

Statement from South Western Railways on next week’s strikes

Today (Thursday) we met with the RMT and had hoped we could persuade them to suspend next week’s planned strike and allow the positive local talks we had been having to continue. We still believe that by continuing to engage with our local staff representatives we can find a way to work together and deliver the passenger benefits our new modern suburban fleet will bring when the trains enter service in late 2019. However, I am sorry to report that despite re-stating all our previous commitments – that we will have more jobs not less; that we plan to retain a second person on every train; and guaranteeing salaries and terms and conditions for Guards – the union executive is going ahead with these strikes which will damage both passengers and staff.

We will operate a contingency timetable on 8 and 9 November which see us run around two-thirds of our normal train service on those strike dates. Details of our contingency timetable can be found on our website https://www.southwesternrailway.com/plan-my-journey/rmt-strike