

# Governor Carney does more twisting and turning over interest rates.

The Governor of the Bank of England has a consistent track record over interest rates. Three times he stated conditions for a possible increase, only to fail to put them up each time we reached those conditions. He then followed this tour de force by actually lowering them instead.

He has now again suggested rates might need to go up soon. Why should we believe him this time? He has after all made a mess of forecasting the economy for the period after the Brexit vote, expecting a sharp slow down and technical recession when for the first half year after the vote the economy accelerated. He has also shown a marked inability to predict his own actions in the past.

His latest reasoning is based on the thesis that overseas rates are trending upwards. The markets instead think US rates are going to stay down as they edge instead towards cancelling some of the QE and bonds they have bought up. Rates in large countries like India and Brazil are coming down, whilst rates in the Euroland and China do not look as if they are about to rise.

He also alleges that Brexit could harm the UK's productive capacity and thus worsen the trade off between inflation and growth. This reveals two substantial misunderstandings about our modern economy. The first is that if by any chance we do leave with no trade deal there will be considerable demand for imports to substitute for items like food where EU imports suddenly become dearer thanks to tariffs on top of the dearer Euro. As we have a large deficit it could actually boost productive capacity. The second is the Bank's old fashioned idea that as you approach capacity working so inflation shoots up ignores the simple fact that we are running an open economy. If we run out of domestically produced tomatoes we import a lot from somewhere else rather than putting up the price of UK ones. If UK wages costs start to rise the EU sends us plenty of extra workers to keep the wages down.

I note now that the pound is only 4% below its average in the months running up to the referendum against the dollar, and only 2% below against the yen. We don't hear about the pound anymore from all the Remain facing media! The Euro meanwhile goes from strength to strength against all major currencies.

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## University fees

Labour, Conservatives and Liberal Democrats have all in opposition opposed university tuition fees for some of the time. All in government have signed

up for them and increased them.

There is growing unrest about these fees, as people feel £9000 is too much for some courses at some Universities. The answer then, is not to apply there. Governments had hoped there would be a market for university courses, with lower fees for the less well rated places and subjects. Instead universities decided to all price at £9000. Why signal your place or course is not as good as the best by offering a lower tariff?

In practice employers and the wider community do distinguish between courses and universities, prizing some more highly than others. The Universities might not like it, but they cannot prevent the publication of elaborate league tables showing Oxbridge and the Russell Group as more prestigious places to go than the names at the bottom of these publications. So why then do they not use price to attract students?

There are two main reasons. Setting a lower price for your course confirms what is otherwise a guess or opinion that that course is of lesser value. The more lowly rated universities can still fill enough places at £9000, so why not keep the prices up?

The truth is some courses cost a lot more than others. Offering a good science course in the centre of London with all the labs, property and equipment must be a lot dearer than offering a humanities course out of property 200 miles or more from the capital. Some of the cheapest courses to run are ones at the bottom of the unofficial lists of quality, giving to them the highest margin. I read that some in government now object to universities charging too much and making a surplus.

The danger of a blanket cut in the fees is that it damages the great institutions that are world class, who are spending large sums on facilities and teaching and often cross subsidising UK undergraduates. One of the UK's big advantages as we go through Brexit is we have a good concentration of high class universities capable of great research which can have spin off for economic development. This would be an odd time to anger them and to disrupt their development.

There is no easy answer to the imperfect functioning of the university market for UK undergraduates. What we need is more demanding applicants, prepared to ask for better value fees where the costs of provision are low and the ranking of the course below average.

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## [How complicated is Brexit?](#)

I have often said that "Brexit could be easy", and have gone on to explain how the army of consultants, Remain liking government officials on both sides of the Channel, and the EU Commission will doubtless slow it down and make it

more complex. My critics change "could" to "will be" when commenting and claim I do not understand how complex people will make it.

Let's have another go at explaining the dispute. At the high level Brexit is easy. The country leaving sends an Article 50 letter. Two years later it leaves, with or without a deal concerning the future relationship. It could of course leave sooner than two years were both sides to want to make it easy. All the EU has to do is to confirm it wants tariff free access to our market with no new barriers and we can get on with registering that as an FTA at the WTO. Otherwise the UK and the EU trade with each other as all non EU members trade with the EU today.

The EU however wants to get rid of the UK as a force to slow down monetary and political union, but is very keen not to lose the UK's substantial financial contributions. Its negotiating strategy is to delay at every available opportunity, as each month of delay is another £1bn. Each month's delay is also another opportunity to watch the UK indulging in an absurd negotiation with itself, leading some in the EU to conclude the UK is likely to prove weak, Some in the EU think if they play it long the pro EU forces that remain in the UK may succeed in demanding further large payments to the EU . Some hope for a new subservient relationship for the UK which will remain in some close association of a legal kind that stops it gaining full control of its laws, borders and budgets without offering the UK any influence over the EU approach to these matters.

The government's official position clearly rejects any such approach. The government has rejected continued membership of the single market and Customs Union, on the basis that both the Leave and Remain campaigns said these would not be available without budget contributions, freedom of movement and the rest which we rejected in the referendum. The government has discussed possible interim periods or implementation periods if things are agreed for our future relationship that take a bit longer to fix. They are not currently asking for any such thing in the talks, as you would need an Agreement first before deciding how you implemented it!

It is one of the stupid myths that asking for a comprehensive Transitional period would solve anything. One or two more years of full membership duties to spend more time arguing over the future relationship should suit neither party, and would increase the period of uncertainty for business. You only need to ask for interim periods or delays if there is a good Agreement accepted by both sides with difficult technical issues that cannot be fixed quickly.

The scares of no planes flying, lorries sitting in jams at Dover and trade disrupted are irresponsible. It is in neither sides interest on the day we leave to run their affairs so badly that they disrupt EU and UK citizens going about their business. Governments, EU and domestic, are our servants. The UK is getting on with putting in a customs and borders system that will work from 30 March 2019. Doubtless the EU will do the same, as they have to answer to the farmers, factories and businesses of the continent who will expect continuity and smooth running. Both sides have to conform with WTO rules, abide by international law and allow independent courts to uphold

private contracts that will continue to operate.

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## Productivity in education

Teachers want a pay rise. Schools lobby for larger budgets. Ministers have now had a second go at producing their Fairer Funding formula. This combines a higher total with a different distribution, as under the current one some schools receive small amounts and some receive up to twice as much as the lowest funded schools on a per pupil basis. I have supported both the move to spend more, and the demands to have a fairer distribution. I want schools in Wokingham to have enough teachers to do a good job and for the teachers to be paid properly as professionals.

We need also to ask how can the budgets be spent better. The Conservative government has granted many schools more independence of action. Each school has a Governing body bringing together local people with suitable skills to lead and to debate and guide the school management's use of the budget. Head teachers go on courses in school leadership, and most schools employ some combination of managers, executive secretaries, accountants and bursars depending on their size and the complexity of their tasks.

I am often told that productivity does not apply to schools. The argument runs that the main cost is that of teachers salaries, and the main aim of a better education requires increasing the number of teachers in relation to the number of pupils. Smaller class size is the holy grail of improvement programmes.

I of course agree that a school needs to have enough teachers so there can be sufficient one to one supervision of pupils as required, so that the marking work rate is realistic and so class activities can be managed successfully. That leaves many other options for improving how things are done in a school without needing more staff or additional budget.

It is not true that all classes should be small. If a class takes the form of a lecture or explanation by the teacher, it is a good idea for more pupils to see and hear an inspiring performance. If the teacher is teaching sport then they will need a group of 22 to have one of our popular competitive games on the playing fields. Class size should be related to the methods of teaching and the needs of the pupils. As someone who goes into local schools when invited to talk to pupils about the UK constitution or some other general topic I usually speak to a large group of pupils which makes sense as I can only do it once, as do other external lecturers.

More interesting is the question of what use if any should a school make of digital and recorded materials which allow star teachers or others with a good message to appear in many classrooms at the same time. What is the role of electronic learning programmes, which now figure so prominently in

professional development and training when people leave school?

The main areas for raising productivity lie outside teaching. Like any other organisation there are smarter and less smart ways of organising building maintenance, cleaning, administration, procurement, use of supplies and the rest. Like every modern organisation schools assisted by their Governors need to work away at improvements in all these areas.

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## [The Boris article](#)

I do not see the Boris article as a leadership bid or an offside comment. It is a clear statement of the possible gains from Brexit, by a senior member of the government speaking for the government. It is a reminder of how we can and should be better off by implementing the decision of the voters. It was good to see the reminder that we want to be able to scrap VAT on items that should not attract it when we take back control of our taxes, and to be able to spend more on public services when we get our money back.