

## National election, local matters (for West Berkshire part of constituency)

West Berkshire has needed better funding for schools and for social care, like Wokingham Borough.

I have taken up the issue of why West Berkshire and Wokingham have been at the low end of the table for the amount of money per pupil and for the payments for social care relative to the population. The government did increase its social care payments recently, but will need to do so again for our local area.

I was part of the Fairer funding group that lobbied the government to increase the per pupil sums for our schools. Some better funded schools elsewhere in the country receive more than twice as much for each pupil, which makes the gap too large. The government has agreed to narrow the gap and give fairer grants to West Berkshire and Wokingham. I am pressing for improvements over the proposed formula.

I wish to work with West Berkshire Council on proper funding of local services. I also wish to continue to help on matters like flooding and transport, where the Council needs help or has to work in partnership with the national government and quangos.

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## The pound's value

There is a lot of disinformation about rises and falls in the pound. Some would have you believe we had a stable and strong pound prior to the Brexit vote, and then it fell. The truth is somewhat different.

The crucial cross rate is the Euro rate, given the volume of imports we take from the EU. Sterling fell a lot during the banking crash of the last decade. On 3rd January 2009 it fell as low as Euro 1.04. It rallied in the next decade, typically trading around Euro 1.20 in the period 2010-2014. It hit a low of Euro 1.16 in February and August 2013.

By June 14 2016, just before the vote, it was around Euro 1.25, having been higher in previous months. Today it is at Euro 1.18, just 5% down on the June pre vote low. At today's level, after rallying in recent weeks, it is around its average earlier this decade.

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## Mr Macron flies to Berlin

Mr Macron promised to rebuild the Franco-German alliance and to seek to strengthen the role of the EU in his country. To do so he has to fly to Berlin to show Mrs Merkel he agrees with her and will be helpful to her prior to the German election.

He will find in Berlin beneath the public courtesy a very different view of what the problems are, let alone what the future answers should be. There will of course be some goodwill born of relief that Mme Le Pen failed, but the reality of German interests will soon reassert.

The main German preoccupations will be to avoid any new spending commitments by the EU that Germany might have to pay for, and to keep the austerity pressure on the heavily borrowed countries of the Union. France will want to speak for a higher spending and borrowing federal EU government which Germany will dislike. Both countries say they want a political union, but France wants that to include sharing the money whilst Berlin wants it to be governed by teutonic controls on spending, borrowing and printing money.

Mrs Merkel may offer her new suitor warm words, but is unlikely to loosen the German or EU purse strings. Germany will be conscious that her 830 bn Euro deposits in the ECB are already lent on at no interest to countries who will struggle to repay.

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## Why is the Bank of England so mesmerised by Brexit?

The latest report from the MPC of the Bank is as muddled as ever. They record that their February forecast was too optimistic on growth, too pessimistic on unemployment, and got inflation wrong. This time they have boosted their ideas of UK growth next year and the year after to more realistic levels, but taken 0.1% off this year after big upwards revisions last time.

They keep referring to inflation going up thanks to lower sterling, and

trying to find a Brexit related explanation to other changes. It's as if they forget we are in an active global economy with many linkages to the world. They did not ask themselves why UK inflation has gone up about the same as German and a bit less than the US. They forgot that dollar oil price rises underlay much of the US inflation, just as it underlay inflation in other countries that had not had a fall in their domestic currencies. They seemed to fail to make the link between weaker first quarter growth in the UK and also considerably weaker first quarter growth in the US where the currency has been strong and in most of the Euro area.

Weak first quarters on both sides of the Atlantic owed much to a mild winter hitting energy output and demand. Higher inflation in most places was related to the oil price and general commodities. This quarter oil and commodity prices have fallen, the pound has risen and in the UK the weather has been colder for the time of year. All this points to another change of direction for inflation and output. They asked if weak UK cars sales in April means weak consumer confidence. Surely it is instead the response to large rises in VED in the budget which may reduce sales for more than one month, just as Buy to Let taxes are still hitting the second hand homes market.

It looks as if there will continue to be a synchronised recovery in the main economies. It is difficult to see much sterling effect on prices given the way UK inflation has moved as in other expanding economies with stronger currencies. It is also difficult to see why Brexit should have the impact on the Banks forecasts, as they helpfully assume a smooth Brexit as their base case.

I do agree with their decision to put up their output forecasts for the next two years, and their upward revision to employment.

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## [Financial services will be fine after Brexit](#)

Critics of Brexit on this site have regularly alleged that if we do not get the same access arrangements as today to the EU market after Brexit, the City will lose jobs and business to the continent. I have been accused of complacency for thinking that is untrue.

I have pointed out we were told the UK would lose jobs, influence and business if we refused to join the Euro. We did decline to give up the pound, and our business in Euros grew substantially. Attempts to prevent clearing in London failed, as of course if you run one of the world's large trading currencies you cannot stop non members of your union trading the currency and securities in it. Business goes to where the talent is and where the capital

to execute the transactions resides.

This week there has been a most important statement from the CEO and Chairman of one of our major banks. Barclays has said that they do not see any need to transfer personnel from London to elsewhere on the continent, whatever the outcome of the Brexit talks. They also state that the technical changes they are making to ensure continuity of EU business are less complex than the changes they had to make last year to comply with new business rules in the US, or the large task of ring fencing their commercial bank in the UK to comply. They confirm that complying with any new EU arrangement will be cheaper as well as easier than these changes.

London out of the EU like London inside the EU will face competitive challenges from all round the world. IF you are good at something you need to get better at it to maintain your position. You constantly have to strive to improve and to keep up with or lead change. There is no reason why London should stop doing that once we are out of the EU. In some ways it will be easier, because we will be free to decide on our own arrangements with the rest of the world without having to adopt the EU model for that. The UK will regain its vote and voice in the global talks and formal bodies, where today we often have to be represented by the EU instead.

As Barclays said “We are confident we have multiple choices for how we might continue to serve our customers and clients regardless of the outcome. (Of Brexit)”

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