

# Trade wars

I agree with the consensus that trade wars are not helpful, and higher tariffs do impede growth and prosperity.

I do not agree with the view that the UK needs to be in an EU tariff zone/Customs Union in order to enjoy more of the benefits of free trade. That is an absurd contradiction of a view. The EU Customs Union imposes tariffs and barriers against the rest of the world that are not helpful. If pro EU people agree, as they seem to do, that Trump's new tariffs are harmful, they should also agree that the EU's far bigger and more numerous old tariffs are also harmful.

The irony of Mr Trump's stance is lost on them. He is imposing tariffs to try to bash down the barriers and unfair trading practices others have imposed. His main two targets are China and Germany. There is an interpretation doing the rounds that his only target is China and some of his tariffs are therefore ill judged. Mr Trump starts with analysis of the largest trade surpluses around the world, which reside in China and Germany. Because Germany's trade stance is handled by the EU it leads the USA into conflict with the EU. It is true that his steel tariffs do hit the wrong people, as the USA imports little steel from China which is the main cause of overcapacity and of subsidised or unrealistically low prices.

The US has written a report into how China has in the US view cheated with Intellectual Property and technology products. The US is currently reviewing the practises of the German car industry, to see why Germany sells so many more cars to the USA than the USA sells to Germany. Part of the reason is obvious. The EU levies a 10% tariff on US cars, but the US only levies a 2.5% tariff on German cars. I can see why the USA may wish to question that.

I look forward to the day when the UK can negotiate her own trade terms around the world. The danger of the current situation is we get dragged into an unhelpful trade war between the EU and the USA which is primarily about the huge German surplus, not about our own global trade deficit.

The UK will regain her vote and voice at the WTO. The sooner the better. This is exactly the time when an independent UK could act as a strong voice and influence for freer trade worldwide, assisting the USA where she has a good case to bring the barriers down that others have imposed, and working with those who oppose unilateral US tariffs that do not tackle the underlying problems.

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# Populist challenges to the Euro

There are waves of voters on the continent wanting substantial change to the Euro scheme which lies at the heart of Project EU. The endless austerity policies designed by Germany to avoid the need for substantial transfer payments from the richer parts of the zone to the poorer parts are universally unpopular in the south and west of the EU. Voters swept aside the two traditional main parties in Greece, only to see their chosen champions Syriza blown away by a resolute EU defence of austerity. In Italy now a populist government has been formed, as 5 Star and Lega have almost destroyed the two traditional centre left and centre right parties of that country. In Spain Ciudadanos and Podemos are on the march again and poised to do well from any early election. Even in fortress Germany herself, the home of Euro orthodoxy, a growing impatience with just how much Germany is nonetheless committed to has led to the worst ever result for the two traditional parties in the last general election.

All of these pressures go back to the Maastricht rules and criteria. These rules still have some sway in the UK, a non Euro member. The UK Treasury has used the budget discipline rules to require progressive reduction of our deficit, with the aim of starting to reduce the debt as a proportion of our national income. I often support the policy of controlling public spending and debt, and agree it should not be allowed to get out of control. I do not support our subservience to an inflexible EU rule that pays little attention to the state of the cycle, the level of unemployment and none to the tightness of monetary policy. Today tight fiscal policy in the UK is reinforcing tight monetary policy with the inevitable slowing of the economy we saw in Quarter 1. I think we need to look at all of these things together to get the right policy trade offs between inflation, output and future debt levels. A lot of Maastricht thinking is based on the pre crisis European economies. Today with mass migrations affecting wage inflation, and the liberal global supply of goods and services keeping down prices, the old identities that full capacity automatically led to high inflation do not work.

Much more serious than our position is the impact these disciplines have had on the south and west of the Euro area. Far from creating stability, the Euro scheme gave Ireland and Spain a wild ride. First it led to a massive boom, with asset inflation on a big scale, over development of property and over extension of bank credit. Then it gave them a big bust, where all of that reversed. In Italy's case it has given them more than a decade of pitifully low growth and high unemployment. In Greece it has led to a major slump with large falls in living standards. In Cyprus a banking crash led to people not being able to withdraw their Euros from some banks, and suffering losses on larger deposits.

Today the voters of Italy and Spain are saying they want reform of the Euro. They want more latitude to spend more, tax less and borrow more to try to accelerate growth and job creation. It is important how the EU responds. If they seek to do to Italy what they did to Greece, we are all in for a very

bumpy ride. What they need to do is to move more rapidly to complete their political union, and to put into it a system of transfers of cash from rich to poor and from surplus to deficit areas. In the UK large sums are moved to the areas that need it via the nationwide benefits system and the Council revenue support grants. That is why the sterling single currency area does not have these periodic crises we see in the Eurozone. If they are not prepared to do this then they need an orderly break up of the zone so deficit countries can devalue against Germany and price themselves back into markets. When they broke up the rouble zone the countries that got out and established their own currencies soon did well out of that reform.

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## [The government does need to allow change on the High Street](#)

When I last wrote about shop closures some of you said the government should not intervene to help retailers. The market will sort it out. The problem is local and national government does intervene mightily with taxes, regulations, planning controls and town centre management in ways which can impede change or make things worse.

The first priority many agreed about on this site is allowing easy access to town centres. For many that means less congested roads and plenty of free parking. The out of town centre offers both these features, whilst the internet competitor does not require you to stir from your chair at home.

Where the Council owns the car park it should provide 2hours free parking for shoppers. Where there is insufficient parking or parking on road that creates congestion the Council should secure the provision of more parking.

Councils should review junctions and roadspace on main routes to shopping centres to make it easier to get there.

The government should review the Uses class orders, to make it easier to switch from one use to another in a town centre.

There are too many traditional shops in many urban areas. There needs to be flexible and easy ways to convert them to be premises for services, restaurants, coffee shops, residential or commercial uses.

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## Universities need endowments

I am surprised that some newspapers and politicians want to criticise Oxford and Cambridge Universities for having an estimated £21 bn collective endowment, including all the Colleges. They should be celebrating this success in fund raising and investing.

These savings that come from gifts and from wise investing allow the Universities to do more. Money can be used to employ more and better researchers and tutors, and can be spent on providing help to students from lower income households. It is easier to run an independent global institution if it has its own capital to entrench its self government.

The articles we need are ones discussing how more of our universities can build substantial endowments. More can emulate Oxbridge success by encouraging gifts and legacies from former alumni. More could build investment portfolios that take a long term view and grow the value of the fund by a decent margin over inflation. University endowments can fund start ups and the growth of spin off businesses from the ideas their faculty members generate. They can build facilities for conference businesses, with most scope for residential conferences in vacations.

Oxbridge is striving to catch the Ivy League US institutions who have been very good at attracting donations and good at investing them. Oxbridge's endowments should be cause of celebration, not jealousy. All our universities should be pressing for more independent means, not less. Endowment money is not for immediate spending, but a guarantee of independence and solvency for the future. The bigger the endowment the more social good and academic excellence they can achieve.

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## How Brexit can give us a stronger economy

The recent slow growth of the UK economy still locked into the EU mirrors the slowdown in growth on the continent, with a special UK twist. The higher taxes on property and cars imposed in the 2016 and 2017 budgets have had a further adverse impact, reinforced by the monetary tightening carried out. You expect the economy to slow when special commercial bank facilities are withdrawn and instructions are issued to lend less, as they were.

The good news is that leaving with no deal next March would allow us to speed our growth rate and improve things more rapidly than if we hang around in the EU paying their bills for longer. I have in the last couple of years been more concerned about the balance of payments deficit than the diminishing

government deficit. It is the balance of payments deficit which requires us to sell assets to foreigners or to borrow from abroad. One quarter of that deficit is the UK government payments to the EU and overseas aid.

Stopping all payments to the EU early next year would immediately improve the balance of payments deficit, and give us £12bn a year to spend on domestic priorities. We could implement something like the UK post Brexit budget I have set out before, with substantial spending rises for areas like the NHS and social care, and some tax cuts. This would provide a useful 0.6% of GDP stimulus to the economy without any increase in the state deficit. Indeed, the state deficit should fall as more activity will generate more tax revenue and less spending based on need.

I am pleased to see others saying in public that we need to tell the EU we will not be paying them any more after March 2019 on the kind of deal they are currently proposing. It is most important that becomes the government's stance. It is the only way to have any chance of getting a good deal, and it reminds us of the obvious advantages of early exit.