

## [The US Senate votes for tax cuts](#)

The Republicans cleared a big hurdle this week with the Senate voting for a sweeping tax reform with substantial tax cuts for individuals and companies. It is true the Senate Bill and the House Bill still need to be reconciled, because there are differences between them. There could still be last minute problems which stalled the policy. However, the Senate vote and the House rhetoric implies that they do think they need to pull this off. The Republicans could ill afford a failure on tax reform after their public inability to agree reform of Obamacare. They need something to show for their year's debates. They are more likely to keep their majority in the mid term elections if they can show solid achievement.

The tax reform is also more likely to win them friends and voter support than the healthcare reform which divided the nation as Obamacare itself did. Whilst it is true some of the polling on the tax cuts themselves is not great, there will be huge support for measures which boost growth and take home pay. Voters often tell pollsters they do not in aggregate want tax cuts, especially if they think the cuts go to companies and people richer than themselves. They also tell politicians in the ballot box that if the politicians vote to put their taxes up or fail to support tax cuts they will vote for someone else instead. People may not welcome large company tax cuts, but they will welcome more investment, more jobs and better pay from companies that retain more of their profits, and they will like the boost to pension funds and other savings vehicles from a stronger corporate sector.

This large tax reform is a game changer. It is a substantial fiscal stimulus to the US economy as conventionally defined, with a costed \$1.4 tn of giveaways over ten years. The US may end up collecting more tax than forecast as the rates are cut, as official forecasters often underestimate the dynamic positive effects on turnover and revenue from lower rates. The idea of persuading more companies to repatriate profits and cash to the US with a lower rate could also work, giving US companies much more money at home to invest to grow their US businesses.

There will be beneficial effects for the rest of the world economy as the growth rate of the world's largest economy accelerates. The rest of the world needs also to understand that with these tax changes the US will get more competitive, and will become a relatively more attractive place for investment.

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## [Better train services](#)

I held a meeting this week with the Rail delivery Group about how to expand capacity and improve services on the railways.

I was restating the case for digital signalling, which can lead to running more trains safely on the same track. It also could enable better and faster broadband on trains for those using smartphones and travelling computers.

I asked if they could consider running some faster trains on the Reading-Waterloo line that stopped at fewer intermediate stations, when they added capacity to the line. This might entail more passing places along the route.

I also raised again the issue of making better use of railway property and keeping it in good order. I also asked for good co-operation on providing more bridge capacity over the railway lines, as the major east-west rail routes in our area create a substantial barrier to north-south traffic.

They said there was work in progress on more digital signalling and possible joint ventures with broadband provision alongside rail track. They also agreed there were more opportunities to develop and use rail property.

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## [The pound hits \\$1.35](#)

When the pound was going down we had daily reports of how worrying this was, usually ascribed for no good reason to Brexit.

The pound is now up by 12.5% from its recent low, but there is little comment. It does not normally feature on news broadcasts in the way it did when going down. Is this big move up also because of Brexit? Is it good news?

I have both before and after the vote said that the pound has been volatile against the dollar and the Euro all the time we have been in the EU, and will doubtless still go up and down once we are out of the EU. Its movements are not usually to do with the Brexit.

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## [The Irish border](#)

I look forward to the government pressing ahead with a solution to the issues over the Irish border that preserves an open border on the UK side. The government has set out in papers how this can be done. It would be good if the EU bought into the UK solution, or provided an acceptable alternative.

Some people who claim there has to be a hard border once we leave the EU need to understand the nature of the current border. Whilst it is true there are no custom dues to levy on products within the EU crossing the border, it is still a currency, VAT, Income and Corporation tax border. It does require processing the right paperwork or electronic information to ensure the

correct authorities levy the appropriate VAT, Income Tax, Corporation tax and the rest, and the right exchange rate is applied to transactions.

The Republic of Ireland has a standard rate of VAT of 23% compared to the UK 20%, but also has three lower rates and a zero levy depending on products. The Republic only charges Corporation Tax on trading Income at 12.5% compared to the UK 19%. All of these differences are handled without needing a physical barrier and checks at the border, so it would also be possible to levy customs duties in the same way without a customs post and delay for trucks. Registered importers and exporters can notify electronically and pay electronically. Small trade activities by locals crossing the border regularly could be exempt.

Both sides to the negotiations say they wish to keep the Common Travel area, so there is no need for new border barriers to deal with people. The UK and the Irish authorities already have in place methods for dealing with illegal migrants and criminals seeking entry.

How many more times do we have to go over this well trodden ground? The UK government should just press ahead with its plans for leaving in March 2019

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## [UK Housebuilding and property is doing fine](#)

One of the many wrong forecasts by official bodies before the referendum was a likely fall in house prices and in housebuilding after a No vote. Almost a year and half later, house prices are up modestly and housebuilding has expanded by around 15%.

The latest house price survey from Nationwide shows prices up 2.5% over the last year. The rate of price growth rose to 5.6% after the vote in August 2016 and has since calmed down a bit. The movements post the vote are not very different from before the vote. The February 2017 level of 4.5% growth was the same as the growth rate in December 2015, as an example. The recent cooling in house price rises reflects the Bank's decision to slow credit growth a bit.

In 2016-17 the UK added 217,350 dwellings to the stock, a rise of 15%. Housebuilding numbers are continuing to expand. The biggest source of growth by far is new construction. Conversions from commercial property are also making a growing and useful contribution. The decision to allow conversion of office space to residential with simplified planning has helped. There will also be shops on the edges of retail areas that will be suitable for conversion as the public switches to more on line and main centre shopping. 37,190 new homes have come from change of use over the last year.

The previous high for new homes came in 2007-8 just before the crash, when the UK produced 223,530. There was then a 44% fall in numbers as a result of the banking slump.

Meanwhile main commercial property companies still report good tenant demand. British Land is the latest company to report sales of properties at 13% above their valuations, showing that valuers continue to be unduly cautious about values.