

A brick shortage

Whilst official forecasters and the clever moaners were telling us of a housing collapse in the UK after the Brexit vote, we saw instead continued increases in new housebuilding, strong demand, and a brick shortage.

UK brick capacity was slashed from 2.6bn bricks a year in 2007 to 2bn as a result of the crash. The Great recession led to many brick kiln and plant closures and reminds us of how much damage this did. In recent years as a result the UK has turned to importing more bricks from the continent whilst we await new plant investment to replace the lost output and meet our domestic demand.

Bricks are heavy items to transport, so the imported product has to carry the extra costs of long distance journeys. It is taking time to rebuild UK capacity, though Ibstock are currently putting in a 100m brick plant which should come on stream soon.

Building materials generally is an area where the UK can and should do more to substitute home production for imports given the transport cost advantage of home output. It is also the case that builders often prefer to buy locally as it reduces threats to their supplies which distant factories and busy roads and ferries can create.

Brexit will offer us many opportunities to substitute home production for EU exports, especially in food if they opt for the WTO model with tariffs.

Controlling public spending

The Treasury is worried about the need to control spending as it still wants to eliminate the deficit during the next decade and to reduce it this Parliament. Its task is likely to be made harder by the well leaked suggestion that the OBR will slash their forecasts for productivity growth for the next five years, which in turn will cut their estimates of tax revenue and boost their forecast for the deficit. This is the body which was too pessimistic this year with its deficit forecasts. The deficit so far is £13bn less than their guess.

I am all in favour of eliminating waste, spending more wisely, and concentrating spending on priorities. I would suggest the Treasury could do a much better job in each of those areas. It also needs to get its own views into line with public perceptions of where we are spending too much and where we need to spend more. Here are some areas for savings.

1. The EU. The Treasury seems to be in the lead to carry on paying large

sums to the EU for as long as possible, and even to pay them a large lump sum we do not owe them. They need to understand that a majority of voters wants to end our contributions in March 2019 and has no wish to pay them any additional money, as there is no legal requirement to do so. This would be the single largest saving the state has achieved for a good few years.

2. Overseas Aid. Parliament is unlikely to want to revisit the pledge to pay 0.7% of GDP, but many MPs as well as voters do want to make sure we spend the Overseas Aid on items that help. We need to revise our and the international definitions to make sure that all military spending on disaster relief, peace keeping and in some cases peace making is charged to the Overseas Aid budget. We need to ensure that when we go to help Caribbean islands the money spent is also charged to Overseas Aid.
3. Railways. We need better financial discipline at Network Rail where I have in the past highlighted their losses and questionable expenditures. We need more rail capacity but this should be primarily brought about by smarter signalling. If we pressed ahead with this we would not need to build expensive new lines as we can run more trains on what we have already.
4. Housing. A good system for more homes for sale will limit the amount of public capital needed to provide more homes. Moving to a new borders and migration policy could also cut some of the pressures on the housing budget.

We do need to spend sufficiently on schools and hospitals, and need to provide the cash for pay rises as these come through in the public sector.

[The planes will fly and the City will be fine](#)

The Bank of England has told its regulated businesses to prepare for No Deal. It has also asked them how many jobs would be lost on the worst case scenario from the City. Their answer, we are told today, is 75,000. It is difficult to believe their figure. What I see is companies continuing to commit to new space and new recruits in London at a time when there is no sign of a deal. I also hear from the continent that many financial businesses there are keen to keep their access to London and its large pools of talent and capital. The Bank at least has scaled back its gloom, which got all its forecasts wrong about growth and job losses for 2016-17 on the back of a No vote. UK Employment increased then when they said it would fall.

Meanwhile one of the gloomy worries put around that the planes will not fly the day after Brexit if we leave without a deal has been refuted by someone who should know. Willie Walsh, the CEO of British Airways has said he expects the planes to fly. Will the doom mongers now stop using this absurd forecast?

BA is owned by IAG who have every interest in UK planes flying to the continent and Spanish planes flying to the UK. They are right to expect that to continue, even without a UK/EU general Agreement.

Mr Brown's candid self assessment

It was good to hear some candour from a former Prime Minister. The main reason of course that Mr Brown's tenure came to an abrupt end in a General Election was the failure of his economic policy, and the disaster of banking regulation by the FSA and the so called independent Bank of England. Mr Brown put the UK economy through a cruel boom/bust cycle. First they let the banks expand far too much, as many warned at the time including the Opposition parties. Next they collapsed the credit by withdrawing too much liquidity too quickly, leading to a deep and damaging recession as a few of us predicted.

In this he did on a larger scale what John Major did by adopting the European Exchange Rate Mechanism. They both achieved the same outcomes. They delivered a recession to UK households and businesses. People lost their jobs, and businesses closed down. This in turn led to huge and understandable unpopularity, and to the end of their respective parties in power for a long time. In John Major's case it kept the Conservatives out of power for 13 years, and without a majority for 18 years. In the case of Mr Brown it is 7 years out of power for Labour so far, and at least 12 years assuming this Parliament lasts the Statutory five years.

The second order issues of Mr Brown's handling of the social media, his attitude to the softer side of politics and communication, are minor in comparison to the economic damage. It is true he was no Tony Blair or David Cameron when it came to making a friendly presentation of what they were trying to do. Those two had a considerable amount in common.

Both Mr Blair and Mr Cameron were well presented, intelligent and articulate. They "looked the part" of PM. Mr Cameron came to the job with great self confidence born of apparently effortless success in his life to date. Mr Blair acquired great confidence from his large majority and from his ability to take to the corridors of power with enthusiasm. He especially seemed to enjoy the relationships with foreign leaders.

They both had a fixation about following the EU and avoiding disagreement with it. This led Mr Cameron into terminal trouble when he failed to stand up to the EU to negotiate any kind of good deal to stay in. Mr Blair got away with his feeble approach to new EU Treaties and aggressive accumulation of powers from the member states because most in his party did not want to fight him over EU matters and agreed with him to keep it all quiet and pretend the Nice, Amsterdam and Lisbon Treaties were unimportant.

Both wanted to use UK military power to intervene in a number of Arab states,

and were impatient with critics in their own parties who thought such interventions ill judged or even illegal. Both liked disagreeing with their own parties in the hope that this would attract voters from other parts of the political spectrum. In the case of Tony Blair he did convert a number of Conservative voters to his cause in the first two elections. Mr Cameron remained stuck some 7% lower in the popular vote than Margaret Thatcher, and alienated a chunk of his voters by his pro EU stance.

Assessing a good deal

The best way for the government to negotiate from here with the EU is to remind them what No deal does for us, and then ask what they would prefer to that No Deal. An Agreement needs to be better than No Deal for them and for us.

No Deal ticks four of the five boxes to provide us with a good deal.

1. It means we pay them no money over the legal requirements for regular contributions up to departure in March 2019.
2. It means from March 2019 we can make our own laws, with the ECJ no longer having any sway over our legal system which will be under the control of the UK Supreme Court.
3. It means we will regain control of our fishing grounds and territorial waters
4. We can set out our own borders and migration policy with a system which is fair for the whole world

The only box it does not tick is our preference to have a full free trade Agreement with the EU instead of relying on WTO terms and rules. If the EU understands our intent to leave without an Agreement, it is still possible – as it is massively in their interest – that they will want to take up our offer of free trade as well.

The Deals which some in the UK and on the continent are sketching do not do as well as the No Deal/WTO option. They often envisage large sums in payment to the EU after we have left in March 2019 which would be unacceptable to many UK voters. They seek to keep some EU involvement in our law making, with a continuing role for the ECJ. They do not immediately restore either our fishing grounds or control over our borders. They may offer tariff free trade in goods, or go further and offer a service sector package as well.

Many versions of this kind of Deal would be a bad deal. The Prime Minister is right to be positive, warm and enthusiastic about a more all embracing Agreement, with the UK continuing to make an important contribution to Intelligence, security, defence culture and much else besides. She is offering a full free trade agreement in goods and services. She has hinted that for a good deal she would consider an Implementation period where the UK

might make further financial contributions and accept some temporary joint or independent influence over our courts and laws.

If the government goes beyond this it soon reaches the territory of a bad deal which many people in the UK will not accept. We voted to leave. We do not want a full two years further delay after March 2019, we do not want to pay them large sums of money beyond the £30 bn leaving present we are giving by paying full contributions during the waiting period to exit and we do not want to still be unable to take back control 2 years nine months after the vote.