

## Council tax, utility bills and petrol pushes up annual inflation

The twelve month CPIH, the government's preferred inflation measure, rose 2.7% in the year to August 2017. "The largest contribution to the 12 month rate is housing...electricity prices and Council tax" (0.6%) followed by transport at 0.4%. In the latest month clothing prices have risen. The narrower CPI rose 2.9%.

Overall shop prices were down 0.3% in the year to August, showing that competition kept prices down, and the currency effect on import prices was not as many forecast.

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## The pound surges against the US dollar

I am not going to claim the pound has risen in recent months against the dollar because of Brexit. It is up by 10% from the lows. I am sure anti Brexit commentators would have been full of how it was a result of Brexit if we had fallen against the dollar. Recent events remind us that the main forces shaping leading currencies have nothing to do with our vote. Sterling often sits somewhere between the Euro and the dollar, reflecting our substantial trade with both sides of the Atlantic, and our monetary policy which is also currently mid way between the two. We are witnessing a big move in the value of the Euro relative to the dollar.

So why is the dollar falling and the Euro rising? The Euro is strengthening because markets think the European Central Bank next year will have to tighten monetary policy and stop buying up so many bonds with created money. Meanwhile markets have revised their view of how quickly the US will move up interest rates, presently concluding no further increase is likely this year. There are spare places to fill on the Fed's Policy Committee, where Mr Trump is likely to push for more dovish participants. Meanwhile Mr Draghi at the ECB is under German pressure to reduce the stimulus that Bank is pumping into the Euro area economy.

The Japanese authorities are still trying to keep their currency down. They plan to carry on with a large programme of money creation and have pledged to keep their ten year borrowing rate at zero, which makes it cheap for the state to spend more than it raises in taxes. The pound fell against the yen after the vote and has now risen back almost to where it was before. It is up from an October low of 126 yen to £1 to 143 yen.

So out of the big four reserve currencies used as SDRs, the dollar is the weakest and the Euro the strongest for the time being. Sterling and the yen

lie in between, with sterling the recent stronger of the two. The recent move will help US and UK exporters to the EU, and hit EU exporters to the US. Mr Trump is having his way so far in the currency market, as he wanted a weaker dollar after a long period of dollar strength. Mr Draghi at the ECB has a new dilemma thanks to these changes. He does not want a stronger Euro as he is still trying to boost both inflation and output. A stronger Euro limits price rises and makes exporting more difficult.

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## EU foreign policy

The EU claims it bases its foreign policy on the wish to promote democracy and the freedoms of countries and people living near it. If they mean this it should be good news for us as one of their neighbours. Under the Treaties the EU is required to be both friendly and to promote trade with neighbours.

They pursue something called a European Neighbourhood policy towards the countries to the east of the EU, and the Middle Eastern countries to the south. For these groups of states they encourage political association, economic integration and increased mobility of people. The Eastern Partnership of the EU with Moldova, Ukraine, Armenia, Belarus, Azerbaijan and Georgia has proved fraught. Russia is worried by aspects of it, and the EU's intervention in Ukraine has not proved well judged.

To the south the EU intervenes in Syria and Libya, both troubled countries. It seeks peace between Israel and Palestine based on a two state solution. It is concerned about the Iranian nuclear programme.

The EU sees itself as giant as it has a large collective economy, but it is not of course a military giant. It has two battle groups available to intervene on a small scale when it wishes, but relies for its bigger force on contributions from member states. In practice the EU cannot defend itself against a serious enemy without NATO support and the security guarantee provided by the USA.

So far EU foreign policy has not been successful in either the east of our continent nor to the south in the Middle East. The EU borders some very troubled states. Its proximity to Turkey and the Association Agreement it signed with Turkey has also caused difficulties, leading to Mrs Merkel's recent harsh words about Turkey. She is now seeking to stop Turkey's application for EU membership proceeding, after years of the EU encouraging Turkey and signing an Agreement for close relations.

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## A partial defence of Henry VIII

In the synthetic debate about so called Henry VIII clauses in the EU Withdrawal Bill all seem agreed that Henry was a tyrant who ruled without reference to Parliament. Ignorance of history is clearly one of the pre requisites for the opposition to implementing the referendum. Whilst Henry during his reign did make decisions using royal prerogative that we would find unacceptable today, what is remarkable about his decision to reduce and then remove the power of Pope over English taxpayers and churchgoers was how he preceded at every step by Act of Parliament. He escalated the conflict when the Pope did not respond to the opening pressures, designed to allow England to stay in the Catholic Church whilst securing some independence for the secular government. It was a failed lengthy negotiation leading to schism.

Wanting Rome to consent to his divorce, he widened the disagreement by bringing in issues over dealing with the crimes of the clergy and having to pay taxes to Rome. Public opinion was ready to submit clerics to the same criminal law as everyone else, and willing to send less tax to the Papal see. To bring this about MPs sympathetic to the King proposed and promoted the 1529 Act to remove legal privileges of the clergy, the 1532 First Act of Annates to reduce the annates tax to the Curia, the 1533 Act in restraint of appeals to cancel the power of the Roman court over English courts, the 1534 Act concerning Peters pence to cancel another Papal tax and finally the 1534 Act of Supremacy to create the King as Head of the Church in England.

Today we are proceeding also by a series of Acts of Parliament for the things that matter and where we wish to change current practice and EU law. The EU Withdrawal Bill or continuity bill, will be followed by primary legislation on customs, trade, fishing and farming, and migration. The secondary legislation will not take the form of royal proclamations by-passing Parliament, but will be Parliamentary regulations subject to debate and vote where Parliament wants that.

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## Flag waving at the Proms

Some have expressed regret that someone gave out a lot of EU flags for people to wave at the Last Night of the Proms. Relax, I say. I have no problem with people coming from the continent to enjoy our traditions and wanting to wave the flag of their emerging state.

It may help to remind readers that the Last Night of the Proms has a very UK patriotic second half. The audience gets most animated in support of Henry Wood's Fantasia of seas shanties. He wrote this as a nine part celebration of the experiences of the ordinary seaman at Trafalgar, for the 100th

anniversary of the battle in 1905. It included "See the conquering hero comes" and "Rule Britannia". The latter has now obtained her own slot after the sea shanties. It was good of so many to join in with the commemoration of the UK's naval traditions. His original medley has been adapted since.

The first tune is from the "Saucy Arethusa". This was written in celebration of the first English victory over the French at the start of the American War of Independence. A tough battle between the English 32 gun frigate Arethusa ( captured from the French navy in 1759 and re commissioned) and the 36 gun Belle Poule, a French frigate, 30 miles off the Lizard was in practice inclusive. Both vessels were badly damaged with many dead, and both retreated to recover. The British claimed victory because they captured two smaller French vessels, having a superior force at sea. The French also claimed victory as the Belle Poule escaped from the superior force and did not have to bow to the British commands.

(The navy was still often called the English navy in the C18. At the time of this battle Scotland , England and Wales were united so it was by then the British navy. Ireland joined the Union in 1800, after this battle but before Trafalgar)