

## Let's have a budget for prosperity

We need to move on from austerity. The Treasury needs to write back some of the tax revenue it will collect over the next couple of years, that it took out of the forecasts in the Autumn Statement. It was too gloomy then. It needs to spend enough on social care, schools and the NHS to provide a good service. It can make spending reductions elsewhere, starting with the EU contributions and other items I have highlighted on this website.

It also needs to unleash more infrastructure investment. Much of this in energy, broadband and some in transport can be privately financed. The government may need to assist with loan guarantees, permissions, licences and co investment. It needs to do more to promote enterprise through tax cuts. It has a programme to raise the 20% and 40% tax thresholds for Income Tax. It would also be wise to cut Stamp Duty rates to help homebuyers. It could offer entrepreneurs and small businesses additional tax relief.

Mr Trump's plans to increase infrastructure spending, cut personal and company income tax rates, and relax banking controls to allow bit more lending all make sense. The UK is already well ahead of the US in lowering corporation tax rates for large companies, but needs to sharpen its competitiveness for start ups and smaller companies. We should tax work, effort and enterprise less, as we want more of it.

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## The UK does not have to pay a single Euro to exit the EU – and is making a very generous and friendly Brexit offer to the EU

I am glad the Lords have confirmed what I have long argued that the UK has no legal obligations under the EU Treaties to pay any one off exit payment or any continuing contributions after departure.

They missed out the even more important point – UK Ministers have no legal power to make any one off or continuing payments after leaving. The payments would not be authorised. The legal base of the Treaty supports our regular contributions but not the payments the EU have in mind.

The EU may well think it a good idea to ease the problems they have on our departure by charging us a huge sum for daring to leave. The answer is a simple and polite No to that request.

The EU needs to concentrate on making sure it still has tariff free access to our market, which they also need. The good news is we are happy to offer them that. The bad news is they do not seem to be able to agree anything amongst themselves about how to respond to Brexit. The EU Commission also seems to think it should try and threaten and bully us, when the sensible approach is to be helpful and courteous, as we are towards them.

The UK is offering them tariff free trade and the full rights of EU citizens to stay and work in our country. That's a great and generous offer. Why can't they simply do the same civilised thing? Why don't they take seriously their legal obligations under their own Treaty to have good relations with a neighbouring state with a flourishing trade?

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## Some smart phones are neither smart nor good phones

I have usually been an early and enthusiastic adopter of new technology. I liked the arrival of the mobile phone, thought the internet amazing and welcomed the sat nav. I automated business processes where this could take drudge work out and improve the quality of the product and the quality of work people were asked to do.

I don't have the same enthusiasm for my so called smart phone. I'm not talking about a particular model or make. The faults of mine are likely to be faults of others.

My main need from a mobile phone is to be able to make and receive phone calls when on the move. I have good internet connections at home and in the office, with a large screen computer, good keyboard for typing, and landline phones that work. I have no wish to use a small screen mobile with variable reception in these circumstances. I need my phone travelling by car (hands free using when parked), walking or on public transport. I take an ipad for computing at my destination or on a train if travelling to a temporary location away from home and work.

The mobile phone has several disadvantages. Because it operates by means of a small screen if there is bright sunlight you cannot read it at all. Even not so bright daylight makes it difficult to read. Because you need to instruct it by touch it becomes finger printed, and often your touch is taken as a different instruction from the one you intended. Trying to type a message is difficult at speed because the letter pad is so small for any given letter. In addition, when the phone rings I need first to scroll the page, and then hit the receive bar on the second frame to appear. All this can take too long so the caller rings off. Quite often my touch does not register in time with the phone. It means a lot of lost calls when out and about. It does not have a long battery life, so on a busy day you have to remember to take a

recharger with you and plug it in somewhere.

It is not that reliable on a train and of course cuts out on the tube. Bluetooth links to the car do not always work, unlike the old mobiles which you plugged into the car system by cable which always worked.

It is true it can receive messages, offer me a moving map, provides a modest quality camera and doubtless other things I have not asked it to do. What I can't accept is that it is a smart phone. The truth is it's a dumb phone, a not very good one. I just lose more calls with it. The old phones just required you to press one button to receive a call, and plugged into the car which also recharged them.

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## White Paper on the future of Europe (sic- they mean EU)

The EU this week issued a White Paper on its future. As many of us argued before the referendum, and as the EU's 5 Presidents Report argued, the Commission sees the future of the EU as one of far more integration. This new White Paper complements the 5 Presidents Report which I explained at the time of its first publication, and goes beyond it. The Paper starts by reciting favourably the Spinelli/Rossi vision of a united Europe in their "Il Manifesto di Ventotene" published at the end of the 2nd World War.

As the authors of the White Paper say, "The Lisbon Treaty and the decade long debate that preceded it, has opened a new chapter of European integration that still holds unfulfilled potential."

It is true that this latest White Paper does contain five possible pathways forward for the EU, including one which envisages less integration than they currently enjoy. The Paper also makes clear that the Commission thinks that a bad option. They seem to strongly favour the fifth option, the one that entails "doing more together across all policy areas". The President of the Commission in his foreword urges the EU to be radical and to opt for much more integration.

Option 2 is the only option that allows less EU control. It is based on doing nothing but the single market, fairly widely defined. The Paper raises the possibility of more border controls and some limitations on freedom of movement under this scenario which they dislike.

Option 1, the carrying on option, envisages slower and piecemeal progress to more integration, highlighting possible advances on more integrated border and asylum policies, more EU defence and some stronger controls over the Euro and economic policy. Again, this is not a favoured proposal.

Option 3, coalitions of the willing to drive ahead much more integration in various areas, and Option 4, doing less more efficiently by targeting areas like counter terrorism for more common action, are also not preferred. Option 4 does not seem to involve scrapping areas of competence in any meaningful way and still entails more integration in selected areas.

The proposal the EU wants its members to sign up to is Option 5, "Doing more together across all policy areas". They envisage the EU having just one seat on each international body, with a common foreign policy on all main issues. They will make defence a priority for more integration. They will lead the global fight against climate change, and have the largest world overseas aid budget. They will turn the European Stability Mechanism into the European Monetary Fund and get it to raise money to finance investment programmes. The Euro area will need more controls and a fiscal stability function, entailing more EU involvement in taxation and doubtless more "own resource" EU tax revenue.

I welcome their launch of this important debate. The 60th birthday of the EU is a fitting moment for its remaining members to take stock and ask themselves what next. The document reminds us just how central the Euro is to the whole project, and how much more they need to do to back their currency and tackle the high unemployment they have in many parts of its area. The UK being out will make it easier for them to use their institution in the way many of them wish to. A successful single currency needs a powerful central government with tax raising powers to stand behind it. As the 5 Presidents Report made clear, a single currency needs a Euro Treasury.

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## [Shop prices down again, disposable income up](#)

Yesterday the BRC published its latest shop prices index. Over the last year prices are down by 1%. This is a smaller fall than recent figures, but shows there is still fierce competition on the High Street and on the internet, with the overall balance of prices under good control.

Asda also published its latest disposable income tracker. This showed disposable income up by 3.5% over the last year. All this has happened at a time when oil prices have risen sharply, with a big effect on domestic fuel and vehicle fuel. Fuels are up 17% over the last year, and are the main force behind the rises in the CPI and the RPI.

I was expecting further rises in inflation as the rise in world commodity prices flows through, and as we get further rises in electricity, services with a large wage component, and the usual local and national government increases in fees and charges. So far UK inflation has been running in parallel to German and US inflation, which have also risen rapidly from a

very low base mainly owing to fuel prices.

Lots of forecasters are still refusing to look at the figures that are coming out. Many still say there will be a sharp rise in prices from lower sterling, which they wrongly think has mainly occurred after the referendum vote instead of before. This they think will then remove all real growth in incomes and weaken the economy. They are overdoing the gloom.

The property valuers have some explaining to do. They have been warning of immediate post referendum declines in City offices. Yesterday British Land announced it has sold the Cheesegrater, a large modern well let City office block, for £1.15bn, which is 25% above the September 2016 valuation! The yield is only 3.4% on the good rents signed up. Will we have some apologies over all that red ink they spilled last summer?