Radical Options for Scotland and Europe

ROSE BRIEFING 48
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Levelling-Up and the Shared Prosperity Fund

Gove's new initiative attacked by the Northern Powerhouse and Institute for Fiscal Studies

After weeks of lavish publicity featuring a map of the three nations linked by the Union flag, Gove announced on 13 April a spending plan of £2.5 billion, under the banner of the Shared Prosperity Fund, for the three years to 2024. The Institute for Fiscal Studies pointed out that its instalments of £400m in 2022, £700m in 2023 and £1.5b in 2024 were significantly less that the regional funding budgets, dispersed by the EU, which they replaced. These would have provided £1.5B for each year. The Institute also noted that its distribution appeared 'arbitrary', penalising the North against Cornwall and the Welsh valleys, and was based on obsolete statistics of deprivation.

In England's North East the Director of the Northern Power House said that some areas could see a 'huge drop in funding available for economic development'. He noted that the new system meant that some areas would see funding cut to a third of previous levels and that they must now run spending decisions past Whitehall beforehand'. It was 'very far from being real devolution'.

Incomes fall across Britain – but most for public sector workers

The British government's statistical service, ONS, figures for real income published on 13 April, revealed a fall of 1 percent for the twelve months to March – the biggest fall since 2013. The Resolution Foundation noted that the biggest fall had been experienced by public sector workers. The ONS figure for UK inflation for March was announced as 7 percent and expected to reach 8 percent in April.

EU

Monetarists seek to reassert authority in the EU

In an interview with the Financial Times the architect of the euro, former Chief Economist of the European Central Bank, Otmar Essing, accused the current managers of the ECB as 'living in a fantasy' and that their policies of monetary easing had 'contributed massively' to the euro's inflationary surge to 7.5 percent. The head of Germany's biggest bank, Deutsche Bank, said that it was urgent for the ECB to reverse monetary easing. Its present policies were 'poisoning the system'. The same day shares in the two major German banks, Deutsche and Commerz, fell by 5 percent as major US stakeholders, Capital Group, Cerberus and BlackRock, sold off holdings.

Germany heading for major recession

On 13 April the German Institute for Economic Research issued figures predicting that the full embargo on Russian energy would produce a cumulative fall in output over two years of 6.5 percent – higher than that resulting from Covid – and would permanently erode the competitiveness of German business'.

EU Commission seeks to use tariffs to force return of unwanted refugees

The EU Commission has drafted legislation currently before the EU Parliament which proposes 'punitive trade tariffs' on those countries who refuse to accept the return of 'illegal immigrants'. The legislation would enable the revoking of legislation which currently enables up to seventy developing countries, mostly in Africa, to enjoy tariff free trade (the General System of Preference for Tariff Free Access to the EU) if they refuse to take back refugees.