

## Commons bars observe the curfew

I received the following official communication today, contrary to some contributors here.

### **“Sale of alcohol on the parliamentary estate**

Alcohol will not be sold after 10pm anywhere on the parliamentary estate. In line with the Government’s industry guidance, catering facilities will remain open later (but no selling of alcohol) when the House is sitting, to serve food for those still working and to support social distancing.

This decision was taken by the Speaker last Thursday. Today [28 September] is the first day since that the House is expected to sit beyond 10pm.”

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## No to negative interest rates

I welcomed the arrival of the new Governor this Spring. He immediately responded rapidly and decisively to the pandemic induced collapse of demand and activity with a strong programme designed to generate fast money growth as an offset to the large contractionary forces brought on by lock down. Like the Fed but on a smaller relative and absolute scale, the Bank created money and bought up government bonds, lowering the interest rates in the process.

Money growth accelerated rapidly, hitting 13% on the wider M4 measure. This was a welcome contrast with the previous Governor’s era when for the later years the Bank was busy slowing money growth well below a safe speed, which was duly reflected in and contributed to lower overall GDP growth. In the last couple of months it appears that the Bank has throttled back its money programme, which will become a problem as we face more regional and local lockdowns.

Maybe the Bank was unduly impressed by Chief Economist Mr Haldane’s confident and positive forecast of a sharp V shaped recovery. My readers will know I never thought that likely. It must now be clear to Mr Haldane that this is not going to happen. All the time large sectors like hospitality, leisure, shop retail, travel , property and others are impaired and damaged by the Covid measures, there can be no early return to total output and incomes at February levels. The fear must be that recent news of the virus will depress confidence again and lead to substantial job losses as exposed businesses recognise there is no early return to full capacity working for them.

I read that the Bank is reconsidering using negative interest rates. The Governor wisely expressed scepticism about such a course in his earlier interviews. There is no evidence to suppose that the official rate of

interest at 0.1% is too high or causing a problem. Taking it mildly negative will not provide a significant boost, nor will it allow businesses scarred by the pandemic measures to borrow more cheaply, as commercial banks will want a big margin to take care of loan losses from future bankruptcies and capital write offs. Countries that have gone negative have not shown any striking gains to output as a result. Despite its large issue programme the UK government can currently borrow very cheaply. That can continue and will be assisted by the Bank's bond buying programme.

The Bank has the tools it needs to support the economy in these worrying times. The main issue for the MPC to settle is the pace and scale of money creation and bond buying. Having started so well as the crisis struck, they need to look to that again now we have another knock to many businesses and sectors from the further measures being taken on health grounds.

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## Mind the gap

One of the dangers of a political world that expects absolute loyalty to fixed views of the world and roundly condemns dissenting or sceptical voices is it creates a bigger and bigger gap between what people say they believe and what they imply they believe by what they actually do.

Today we see this in the long term issue of green transformation, and in the shorter term issue of how we should respond to the virus. Polls show a high degree of agreement with the Green movement propositions that climate change is real and a serious threat to our lives and livelihoods. There is also agreement with governments pursuing policies to lower carbon dioxide output.

This makes it curious that most people are not rushing out to buy an electric car or to trade in their diesel for a bicycle. There are no queues to replace the gas or oil boiler in the home with an electric system based on renewable power or heat pumps. Those who do take up cycling – and many do – are usually doing so as a leisure or keep fit activity, not as a way of getting children to school, going to work or picking up food from the shops. Prior to the virus many MPs and others were happy both to tell pollsters something more needed to be done about climate change, whilst continuing to book their foreign holiday jet flights, renew their internal combustion engine vehicle, continue with a meat and dairy based diet and buy products that had been shipped half way round the world to get to them.

I remember the ultimate irony when I went to a pre CV 19 meeting in London to hear the case for more electric cars. I asked the leading advocate about his own car buying habits. Without any sense of shame he told me he had not got around to buying an electric vehicle and had no plans to.

All this suggests that people do not think the threat of climate change is so great that they need to make much if any change in their own behaviours.

The polls on CV 19 show that 71% of the UK public are concerned or very concerned about CV 19 for themselves, and 87% are similarly concerned about CV 19's impact on the country as a whole. There has been majority support for lock downs, quarantines and early closing of hospitality venues.

Yet the recently released Kings College London study of public responses to the measures from March to August shows that only 18% of those suspecting they have the virus did actually self isolate, and only 11% of those contacted by Test and Trace to alert them to recent exposure to the virus stayed at home as requested. The study concludes that many people just find the need to stay at home with no ability to go to work, go to the shops or see friends and relatives too difficult. It may not be affordable, it may prevent looking after the people they care for, or it may be too stressful. Clearly whilst acknowledging CV 19 is a threat they do not think their own chances of getting the serious form of the disease are high enough to require them to comply with the isolation guidance.

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## Tackling the virus

Many want there to be an easy answer to quelling the virus. The medics and scientists search for a vaccine but have to warn it could take a long time or even prove a fruitless quest. Some seek better treatments to lessen the death rate from severe cases of the disease. These are the only two solutions to defeating the pandemic.

Others hold to the view that there is some special way that will eliminate the virus as it circulates in any particular country. Many countries are suffering intense debates about whether their governments have done well or badly in controlling the virus whilst limiting the damage virus control methods do to economies and jobs. The bitter truth is looking around the world most governments have adopted central World Health Organisation tenets that increasing amounts of social and economic activity have to be closed down to squeeze down the prevalence of the virus. Only then can gradual relaxations test out how far they can go in restoring a bit more normal life before virus disaster strikes again. Practically all governments that have adopted versions of this approach have ended up with a second wave and the need to renew the abrasive medicine of full or partial lock down.

In the early days of the crisis the cry went out that a massive expansion of ventilators would see us through. This was tried, only to discover the death rate remained high.

A more sustained case has been made out that Test, track and trace will do the job. The theory is if you test enough people, especially those who might be carrying it or have symptoms, and then isolate enough of such people and their contacts quickly enough, you will cut the circulation of the virus. We now see quite a few countries with large test and trace systems have second

waves to deal with.

There are five central weaknesses to test and trace. The first is the delay in getting a test whilst people are asymptomatic or unaware that they have the disease. The second is the number of false results from tests which disrupts the data. The third is the refusal of some people to self isolate for a fortnight to make sure the virus has passed them, as people have demands on their lives which makes fourteen days locked in at home difficult. The fourth is the unwillingness of many to self isolate just because they are told they have been in contact with someone with the disease. The fifth is the impossibility of knowing many of the people encountered by a busy person who has travelled or been to populous places.

The organisation of accountable government at national level for good reasons also means that if any country does have success in curtailing the virus it then needs to shut itself off from foreign visitors whilst the virus rages. This can also be difficult given the strong patterns of global business ,travel and trade. Given the lack of success so far by the World Health Organisation in producing ways to remove or tackle the virus there is no evidence world government would have cracked it to justify the lack of democratic accountability that would bring. The WHO of course does not have to balance curbing the virus with economic consequences in the way governments need to do.

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## Jobs scheme needs improvement

The latest proposals do not help businesses stopped from trading by law. Many of these businesses have a future once they are allowed to trade again. They have no income whilst they are shut. Surely the government should offer them some compensation.

The part time working help needs to be pitched so that it discourages simply making people redundant. If it is much cheaper to sack two people and leave one fully employed than employing three part timers on one third hours then some firms will do that which is bad news for jobs and speed of subsequent recovery.