

My contribution to the debate on the Economy, 8 July 2020

Sir John Redwood (Wokingham) (Con): I have declared my business interests in the Register.

We need a job-rich recovery. I therefore strongly welcome the measures that the Chancellor has announced today. Some of those measures will save jobs. Some of those measures will create or stimulate new jobs. The Government are right to worry that we have lost too many jobs already over the closures and they are right to worry that we might lose more in the days ahead. They are right to make the changes they are making to the furlough scheme, to encourage as many of those jobs as possible to return, and they are also right to say that we cannot carry on with a furlough scheme indefinitely; there has to be a test of whether there is still a job there. If we roll it on for too long, there will be no real job left, and it becomes just a different kind of benefit, delaying the time when that person can retrain or find a better prospect for their work.□

What do we need to extend this jobs recovery? First, we need plenty of money and credit around, so that it is available for the business to pick up and the incomes to rise. The new Governor is a welcome breath of fresh air. As I have mentioned before, the previous Governor went in for extreme austerity, which slowed the economy needlessly. The new Governor has corrected for that and made a very big boost at the beginning of this crisis, which has been extremely helpful. I see no need for the Bank to go to negative interest rates. I do not think the Swedish experiment with them was particularly helpful, and the Swiss experiment is specific to the pressure on the Swiss franc, which we do not have on the pound. I do not think we need to go to negative interest rates, but I would say that the Bank is in danger now of going rather slowly on the quantitative easing and loosening. We see that in some of the figures coming out.

If we compare our figures with those of the United States of America and the Fed, we see that the Fed is doing twice as much or more than the Bank of England, proportionate to the size of the economy. Some might think that perhaps the Fed is doing a little bit too much and the US might end up with some inflation, but we are in danger of not doing enough again, and I hope that progress will be made in getting the right adjustments.

Sir Edward Davey (Kingston and Surbiton) (LD): Does the right hon. Gentleman agree that while it is right that the Bank of England is doing quantitative easing, how that money is spent ought to have more democratic input? That money could be used for the sorts of investment we need now for jobs and tackling climate change.

John Redwood: The money is used to maintain the price of Government bonds so that the Government can borrow on very low interest rates as much money as they want. Investments are therefore determined by this House and the

Government, so I cannot quite understand what point the right hon. Gentleman is making.

The Government are right to borrow a lot of money for six months or so, to get us through the crisis and to speed the recovery, but it has to be a one-off. We cannot live like that. One needs to earn a living, but this is a one-off crisis. The markets are such and the Bank of England's intervention is such that the Government can borrow a lot of money very cheaply and quite long term. That is the best we can do, and it is the right thing to do to try to save jobs and create new jobs.

This week, we have had the summer forecasts from the European Union for the economies of the European Union, and it has still done a UK forecast. It is worrying, because the forecasts say that the French, Italian and Spanish economies will lose more than 11% of their economic output and income this year. They say Britain will be in high single figures—a bit better than those three—although not as good as Germany, which has come through it the best so far.

However, the figures are not acceptable, and most people feel that the United States figures will be considerably better, because the US response to this crisis has been on a far bigger scale, both fiscally and in terms of monetary policy, than the European response. The UK needs to be closer to the American example in this case, because this very severe hit to major economies requires something very big to try to carry them through and rescue those jobs.□

I hope that the Government will look at the opportunities for sourcing more in the United Kingdom through its purchasing programmes as we leave the European Union. I am all in favour of strong competition, value for money and good pricing, but I think we have had examples of our not having enough national resilience. We found that we could not buy the things abroad that we needed for our health service, because we were relying on others' goodwill and they needed it for themselves.

We are finding that buying things from China comes with all kinds of difficulties. We will find, if we go down the route of importing more and more electricity, that we have strategic weakness in depending on Russian gas, which is the main source of continental energy. I urge the Government to use their purchasing intelligently to give us resilience and more British jobs. Value for money and competition are good, but let us make sure that the purchasing goes to home purposes, just as they do in other countries abroad, where they look after themselves first.