

My speech during the debate on the Budget, 29 October 2018

John Redwood (Wokingham) (Con): I have declared my business interests in the register, but I am not going to be talking about them.

I welcome this Budget. I particularly welcome the decision to provide some more money for crucial public services. In Wokingham and West Berkshire, we need more money for social care, and there is some in the Budget. We need more money for our local surgeries and hospitals, and a lot of money will be coming through for the health service in the years ahead. I just urge the Government to ensure that it is well spent and that there a proper prospectus before the money is finally committed in detail.

We definitely need more money for our roads and local transport. I am pleased to see funds with imaginative ideas to improve flows and safety over junctions and to ensure more roundabout junctions and improvements in strategic local route networks. I will be working with West Berkshire and Wokingham Councils, encouraging them to come forward with schemes that I hope qualify, because these are important to the productivity of my part of the world and, indeed, any part of the United Kingdom. Anyone with customers or clients in their area who goes to work daily in a van or car cannot book as many appointments as they would like and might lose one or two contracts each day because they are spending far too many minutes or even hours in traffic jams, particularly at the busy periods of the day. We therefore need to improve flows, which can also improve safety and lower fuel usage, which would be great benefits.

I also welcome the way that the Chancellor is injecting a bit more money into the economy, because there has been quite a sharp fiscal and monetary squeeze administered to the economy since March 2017. The story so far is one of dreadfully inaccurate forecasting by the OBR and the Treasury. We had the idiotic, wild forecasts about how we would have a recession, falling house prices and a big increase in unemployment if we voted to leave the European Union. They said that that would happen in the winter of 2016-17, whereas I am pleased to say that the economy continued to grow pretty well until March 2017. Jobs and employment went up and house prices did not tumble in the way that was forecast, because Brexit was not bad news. A lot of people thought that Brexit was very good news, and they went out and spent a bit more money because they liked it.

We then had a fiscal and monetary squeeze. The Bank of England has put interest rates up, and it withdrew special lines of credit from the clearing banks and issued instructions to lend less against cars and certain types of houses. That had a visible impact on the car and housing markets. We had a fiscal squeeze, because as we see in today's figures, in this year alone £7.4 billion more has been collected in tax and £4.5 billion less has been spent on public services than was forecast in March. There has therefore been a £12 billion—I presume unplanned—fiscal squeeze on the economy since March, and

there was also a squeeze in the previous year, combined with a rather sharp monetary squeeze, whereby money growth has now halved, as a result of what I think was the Bank of England's fairly untimely and overdone interventions. I do not think there is a huge inflation problem out there, and I think the action that it has taken is too strong.

I am therefore delighted that something has been given back. What the Chancellor is giving back next year—about £11 billion—only matches the £12 billion of the squeeze that was being taken out this year. The OBR says, "This is a big giveaway," but it is not actually a giveaway compared with what it said as recently as March this year. One needs to put that into perspective.

We now have to discuss what impact Brexit will have. All the forecasts grossly exaggerate the economic impact of Brexit. It is an extremely important political event, but I do not think we will see it on world economic graphs when we look back in two or three years' time, and I think we would be hard pushed to see it on the graphs of the UK economy as well. The effect could be reasonably neutral. If we go for a no-deal Brexit because, unfortunately, the EU does not offer us something that is better than no deal, or if there is a continued breakdown in the negotiations—at the moment, the Chequers plan does not look very popular with the EU—then, yes, the Chancellor is right that we will need an additional Budget, but it will be a Budget full of good news because it will be the Budget to spend the £39 billion.

An awful lot of Brexit voters voted in part to take back control of our money. The OBR confirms that if we go ahead with the withdrawal agreement it has in mind, we will indeed be asked to spend £39 billion, sending that money over the exchanges to be spent in relatively rich continental Europe rather than having it available for our own priorities here. So will it not be great to have a Budget to confirm that we can spend £39 billion in a no-deal scenario?

Sir Henry Bellingham (North West Norfolk) (Con): A moment ago, as my right hon. Friend will recall, I also made the point about the £39 billion. It is incredibly important that the Government clarify the situation on that, because some Ministers are saying that part of it is owed contractually in many different ways, while other Ministers are saying that the whole lot would revert to the Treasury in the event of no deal. Surely, the Minister must clarify that when he winds up.

John Redwood: I have looked into this. I have taken advice from lawyers. I have also read the report from the House of Lords—not a known bastion of leave enthusiasm. Its legal conclusions were wholly admirable. It said, "No, there is no legal requirement to pay a penny to the EU after we have left." If we leave on 29 March 2019, we would definitely save that money. There is no requirement to pay. We did not get a bonus when we joined the thing, because there were lots of inherited liabilities, so we do not have to go on paying for liabilities after we have left. That is quite an absurd proposition. We should be able to grasp this opportunity.

If we were able to spend that £39 billion over a three-year period—I know that it is spread over three years and does not come all in one year—there would be, over that period, a 2% boost to the UK economy. That could take our growth rate back up to about 2% per annum. The OBR forecasts are a bit gloomy, and it could be that our economy has grown by only 1.5%, but that is underperforming. We need to ask why that is, and it is certainly nothing to do with Brexit. The reason the growth rate fell is, as I say, deliberate policy by the Bank of England and possibly inadvertent policy by the Treasury creating a combined monetary and fiscal squeeze. This Budget does something to start to lift the fiscal part of that squeeze, and that is very welcome.

It is crucial that we do end austerity. I am absolutely with the Prime Minister on this.

Indeed, I fought two elections on the proposition that we want prosperity not austerity. I strongly agree with the Chancellor that we should define austerity, as the public do, in its wider sense. Austerity does not just mean not having enough money for social care, which we need to remedy; it means that people's real wages have not gone up enough or at all, so they are not better off. People expect us collectively, as a result of our interventions in the economy and our supervision of the general position, to help them to progress and have real income increases so that they can afford more and improve their lifestyles as they go on life's journey. That is what we should be doing. We should be in the business of promoting more jobs, better-paid jobs and lower taxes so that people keep more of the money from those jobs and the income they are earning. I therefore welcome the bringing forward of the income tax reductions, which will be very helpful.

I also strongly support tackling the problem of low pay. There is still too much low pay, and I am glad that the Government regard this as an important issue. We need to do more on productivity measures, because the real way to eradicate low pay is by higher productivity: "work smarter and get paid more" is what we need to be thinking and doing. That requires a whole raft of the policies that were mentioned in the parts of the Budget document on education, training, transport and many other areas. That will contribute to making a more productive economy.

I am fully behind the Government's aim of banishing austerity. I am fully behind the aim of getting real wages up and allowing people to spend a lot more of their own money. I want the £39 billion because that would be a really knock-out blow in getting a stronger and better economy.