

My speech during the debate on the economy

What a catalogue of misery we heard from the Scottish National party spokesman, the hon. Member for Glasgow Central (Alison Thewliss). It was just bizarre. I thought there was an SNP Government in Scotland and that she might have found something about Scottish public services or the state of the Scottish economy of which she was proud, but no, everything is miserable and, of course, everything is the direct fault of the Westminster Parliament. The SNP takes no responsibility for anything. I thought the Scottish Government had put up taxes and were going to endow their public services with even more, but the hon. Lady did not mention that. Perhaps she does not like the potential economic consequences of that, but it is absolutely typical that we get nothing positive and the SNP accepts no responsibility for the economy.

I wish to talk about the huge opportunities for the United Kingdom economy as we leave the European Union. I know it is fashionable for Labour Members to be wholly negative about the Brexit for which their constituents voted and which—to try to keep their constituents' vote and have some confidence from their vote—they said in their 2017 manifesto they would deliver, but their voters, like me, think that there are huge opportunities for a United Kingdom that will be more prosperous and successful outside the European Union than inside it.

David Linden (Glasgow East) (SNP): The right hon. Gentleman says the SNP talk about misery; may I enlighten him with a little reality? This week, Dunnes Stores, an Irish company, announced that its store in the Parkhead Forge in my constituency was closing down. The company said that that is because of Brexit, and it will have a direct impact on jobs in my constituency. That is the reality.

John Redwood: I can find many examples of companies that have come pouring in with extra investment post the Brexit vote. The national figures show that we have had more jobs, investment and growth following that vote. Those ridiculously pessimistic Treasury forecasts [were launched just in time for the referendum vote. At the time, I and a few others put our professional reputations on the line, said that the forecasts were completely wrong, explained why the economics behind them was misleading and why the forecasts were likely to prove widely inaccurate. We were right; the Treasury, World Bank and others were comprehensively wrong and have been rightly confounded.

I am pleased that my right hon. Friend the Chief Secretary to the Treasury agrees with me that it is a pleasure that those forecasts were wrong. She and the Chancellor are exactly right to be cautious about the latest set of official forecasts, which are likely to prove too pessimistic for the future years. It is important that we aim to beat those forecasts. We know that they keep changing the forecasts and that they tend to be too pessimistic, on average. Now is a good opportunity to go out and beat those forecasts. We should make that one of the main aims of our policy. I look forward to

Opposition Members trying to help us, instead of doing all that they can to peddle misery and gloom to try to dampen spirits and reduce confidence at a time when there are good reasons to be more confident and to believe that those forecasts were wrong.

Let me take one obvious point. I have some disagreement with my Front-Bench colleagues, because I would like to stop paying any money to the European Union after March 2019. Some of my Front-Bench colleagues seem to wish to be more generous than me, but I think they agree that we must quite soon get to the point at which we are not paying any more money to the European Union. When we have full control of our money, which is what we voted for, we will have £12 billion to spend on our priorities here in the United Kingdom rather than on the European Union's priorities somewhere else across the continent. That will give us an immediate 0.6% GDP boost. When a country is growing at 1.5% to 2%, an extra 0.6% represents a material improvement in its growth rate. We will not just get that £12 billion as a one-off in the first year; we will get it in every successive year, because we will have that money available to spend.

I campaigned in the previous election for the Brexit vote to be properly implemented, and my constituents gave me a majority knowing that that was my view. I also campaigned on the ticket of prosperity not austerity. I do want more money spent on the schools and hospitals in Wokingham and the local area. I am very pleased with our latest settlement, because health staff need more money. I am also very pleased that the weighting of the percentage increases is much more generous to those on low pay, because in my area it is extremely difficult getting by on those low pay rates. We need to recruit and retain more and to give more people in those jobs the hope that they can go on to better paid jobs with good career progression.

I want more money spent, but I do not want it spent irresponsibly. I am offering the Government the biggest spending cut that they will ever make, which is the £12 billion a year that we do not need to keep on sending to Brussels. In the spirit of the Brexit vote, I say bring our money back, take control of it and spend it on our priorities.

Before the referendum, I took the precaution of setting out a draft Budget that I would like the Government to adopt. I explained that I was very unlikely to be the Chancellor of the Exchequer and that people could not take my draft as a promise; it was a set of ideas on how that money could be spent. I suggested, mainly, more spending on areas such as health and social care and education, and also on tax reductions—getting rid of our damaging VAT rates on green products, on feminine hygiene products and on domestic heating fuel, which hit those on the lowest pay most heavily. Those are things that we cannot do for ourselves all the time that we are in the European Union.

Alison Thewliss: The Government's failure to negotiate a zero-rate tampon tax does not give us great hope for any further negotiations with the EU.

John Redwood: I think that the hon. Lady will agree that this is one area where even she must see that getting out of the EU is a big positive, because

she and I will be able to unite on something for once, and shove the abolition of this much-hated tax through the House. Is it not a disgrace that the world's fifth largest economy and an important country cannot even control its own taxes? Over all those years in the EU, we were assured by Governments of all persuasions that tax was a red line and that the House of Commons would always be able to decide what the tax rates would be and what was going to have to be taxed. That simply will not be true until we leave the EU.

That is the first bonus. The Brexit dividend is to take control of our money and to spend it on our priorities. It will have a double advantage: not only will it give a boost to growth the first time we do it, but it will cut our balance of payments deficit. I am more worried about our balance of payments deficit than our state deficit, because the Government have done a great job in getting the state deficit down to perfectly reasonable levels, whereas the balance of payments deficit needs working on. The simplest way of cutting it is to stop sending money to the EU, because that is like a load of imports.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): I wish to ask a serious question. The right hon. Gentleman is very well remunerated for his views on finance and is very much sought after for advice in the City. He will know that, if we were to lose just 10% of, say, the financial services sector in the UK, as a result of market access ending through Brexit, that would constitute a loss of £8 billion to £9 billion in taxation to this country. Is he genuinely not worried at all that we need to retain some elements in our economic relationship with the European Union as part of those Brexit talks?

John Redwood: I am an optimist. We will have a perfectly good economic relationship even if we do not get a comprehensive formal deal of the kind that I know those on the Front Bench would really like to secure. The hon. Gentleman shakes his head. Well, let me give him the evidence. When I studied this subject before the referendum—I always like to ensure that I give good advice, so I try to find out what I am talking about and have some facts—I looked at the economic performance of the United Kingdom during the early 1970s, when we first entered the European Economic Community, and took great interest in the economic growth rate around 1992 when the single market was completed, which people say is so crucial to our growth rate. From that, I can assure the hon. Gentleman that we cannot see any positive kick up in the graph of UK growth either when we first joined the EEC or when the single market was completed in the early 1990s. Indeed, the growth rate fell off on both occasions. I do not blame the EU for all of that, but it shows that there was no great benefit.

If there was no benefit going into the thing, why should there be something negative when we come out? It is not asymmetric. There will not be a hit. I promise him that when we look back on it all in five years' time, he will not be able to see—certainly on world growth graphs and, I suspect, on UK economic graphs—when we left the EU. It will not be a big economic event. It is a massively important political event, but it will not be a significant economic event, because joining it was not. Indeed, even worse, in the immediate aftermath of both joining the EEC and of completing the single market, there were very big recessions where our growth rate took a very big

hit. I do not blame the EEC for the first one—that was more to do with international banking and the oil crisis—but I entirely blame the EU for the second one, because it was the European exchange rate mechanism that ripped the heart out of our companies and our economy and led to a boom and bust that was almost as big as Labour's at the end of the last decade. That was why we did so badly.

Let me now go into a little more detail on some of the crucial sectors that have been badly damaged by our membership of the EEC, and then the EU and single market. We can do rather better in those areas once we are out of the legal entanglements.

Let us start with the most obvious and topical one this week—the fishing industry. When we first went into the EEC, we had a flourishing fishing industry, with a large number of trawlers and successful fishing ports in Scotland, England and Wales, and a net surplus of fish. We were an exporter of fish because we had access to one of the richest fishing grounds in the world in our own territorial waters and beyond. The common fisheries policy destroyed much of that. Many of our boats were lost, and much of our fishing capacity was lost. We are now a heavy net importer of fish, as a result of being part of the common fisheries policy. Our fishing grounds have been greatly damaged, because too many industrial trawlers have been allowed in from outside to do damage to the seabed and to the shoals of fish that we once had. The quota system has not really worked because of the discard policy.

It would be easy to design a UK fishing policy through which we would have both more fish to eat and we would take fewer fish out of the sea. We would do that by not having the discards. It would also be easy to design a policy in which the fish was landed in the UK, so that there would be more economic benefit for us in processing and selling it on, and in which we would have much more capacity in the English and the Scottish fleets so that we could capture more of the added value. I look forward to the Secretary of State publishing a detailed strategy and offering us draft legislation, and I look forward to the Scottish National party supporting that legislation, because it must know how important the recovery of our fishing industry is.

Peter Dowd: I know that Mrs Thatcher was a great heroine of the right hon. Gentleman. She said:

“Just think for a moment what a prospect that is. A single market without barriers—visible or invisible—giving you direct and unhindered access to the purchasing power of over 300 million of the world's wealthiest and most prosperous people.”

It is now 500 million. Was she wrong at the time?

John Redwood: Mrs Thatcher was not always right. As her chief policy adviser, I gave her extremely good advice on the single market, which she did not actually accept. She took most of my advice on a lot of things, but I told her not to give the veto away—it was not worth it, because we needed to keep control of our own law making. However, the Foreign Office was more

persuasive than I was, and that was where things started to go wrong. We were tricked into accepting what she hoped—and what a lot of British people thought—was just going to be a free market where there were fewer barriers for trade.

What actually happened was that we were entrapped in a massive legislative programme, which meant that more and more controls—often of an anti-business nature—were imposed, even when the UK did not want them and even when we had voted against them, when we were in the minority. That is why many British people fell out of love with the Common Market that they thought they had voted for in the early 1970s; they thought that it would just be about more jobs and more trade, but discovered that it was about the EU taking control. I am afraid that, on that occasion, Margaret Thatcher was less than perfect. She did not choose the right advice to follow. If she had vetoed the loss of the veto, the hon. Gentleman might have had his way and we would still be in the European Union with a rather different relationship from the one that we were forced into taking.

I turn now to the energy industry. Under European rules we were trapped in a common European energy policy, which meant that we went from being entirely self-sufficient in energy to being quite heavy importers. There is a wish to make us more and more dependent on imported electricity and gas through interconnectors with the continent, meaning that we have less security of supply and are more dependent on the good will of many people on the continent—ultimately, on Russian good will, because of the importance of Russian gas to the energy supply on the continent. Fortunately, the situation has not gone damagingly too far, and we can rescue it when we come out of the European Union. Our gas supplies can be much more dependent on Norway and Qatar, which are not members of the European Union. That is a useful precaution because we can trust those suppliers and the supply will not be subject to the same common problem that might arise in the European system.

We need to be careful about the framework of regulation. I am all in favour of cleaner air and looking after the environment, but the rapid and premature closure of coal power stations before we have good, reliable alternatives puts us in a bit more jeopardy. We have already experienced cold days, when there is big industrial demand but very little wind; it is extremely difficult to balance the system and keep up the full amount of power that people want. We may have to go on to industrial rationing in some cases. If we follow European policy and shut all the coal stations without having proper, reliable alternatives in place, running a good industrial strategy will be that much more difficult.

What would I put at the top of my list for a good industrial strategy? My No. 1 need would be a plentiful and cheap supply of energy. Having had jobs that involved running factories and dealing with transformation materials that have a high energy content, I know the importance of reliability and relatively low price for running certain kinds of process industry. The United States are now reindustrialising because they will have access to a lot more cheap feedstock and fuel as a result of their drive to have much more domestic energy, at a time when we have been going in the other direction by becoming more reliant on other systems that are not reliable and

on imports. We are now finding that we are becoming short, and our power—certainly at peak demand—can be extremely expensive unless people have a long-term contract that properly protects them.

I urge Ministers to use the opportunity to rethink our energy strategy, and to put it at the top of the list for the industrial strategy they tell us they want, because it is the No. 1 requirement for a strong industry across the piece. The other day I was talking to my hon. Friend the Member for Stoke-on-Trent South (Jack Brereton), who reminded me just how important cheap and readily available gas is to the Potteries. We want those industries to grow and flourish—I used to be involved in them a bit—and there is huge scope for that, but it will require a sensible, UK-based energy policy.

I turn next to the vehicle industry, which I think will be just fine. It has been built, with a lot of foreign investment and local talent, into a very fine industry. But we need to remember its exact shape. The UK has the capacity to make about 1.7 million cars per annum, but it has the capacity to build 2.7 million engines. Last year 1 million of those engines were diesel. Successive Governments have done a good job of persuading large motor and engine manufacturers to come to or expand in the UK. We now have a centre of excellence in diesel engine technology, and engine production generally, for passenger cars and light vans. We should be rightly proud of that, but it is important that the Government understand this achievement and do not do things that inadvertently damage it.

Car sales continued to rise very nicely after the Brexit vote. We experienced a very strong market and there was a good trend of car sales in the UK for the first nine months after the Brexit vote, as was happening before. But in spring last year there was a sharp reduction, which has continued. Why has this happened? Well, it is nothing to do with Brexit. It is to do with policy decisions taken in the United Kingdom. Three things happened at the same time.

First, it was decided that too many car loans were being advanced, so there was a restriction on car loan credit. I think we worry too much about that. There is security: people who get car loans usually have reasonable jobs and incomes. I am pleased to say that we are not looking at a set of job losses any time soon, so I cannot really see the big problem. Secondly, there was the imposition of much higher vehicle excise duty, particularly on higher-value cars, which are particularly profitable and successful to make.

Thirdly, of course, there were the general arguments that diesel is no longer acceptable. Diesel technology in this country, and through European regulation, has reached much higher standards of cleanliness and control of exhaust. As far as we know, all these engines are more than meeting the legal requirements, because we all want cleaner air. But if the idea gets abroad that all these standards are actually going to be tightened very quickly, or that it is going to become unacceptable to run a diesel engine, it puts people off buying. There has therefore been a big collapse in support for diesel engines and cars, which explains the pattern in that market. I hope that the Government will look at a sensible compromise. Yes, we want clean air, but we also need to say and do supportive things for what is now a very

important industry in our country.

There is huge scope for farming. The Secretary of State has made a start with his White Paper, but it still of a fairly high level of generality. I look forward to more detail soon. The motif of the policy must be that we can and should grow more for ourselves. In the early days after we joined the European Community, we were about 95% self-sufficient in temperate food, which is the kind of food that we can produce; we are now under 70% self-sufficient. We import a lot of food from the Netherlands and Denmark—countries with similar climates to our own—and quite a lot from Spain, which produces some things that we cannot grow for ourselves, although we could buy cheaper alternatives from South Africa or Israel if we were allowed to do so. We need to look at all that and do a better deal for the lower-income countries that can sell us food that we cannot grow for ourselves without the same kind of tariff barriers. We also need to do a lot more work on how we can grow more of our own food.

Alison Thewliss: The right hon. Gentleman's point on growing our own food falls if we do not have the people here to pick that food. It will be rotting in the fields, as is already starting to happen, because EU workers who have come over to do this job are leaving, and our own workers do not want to do it.

John Redwood: There is still quite a large number of net inward migrants to this country. I look forward to higher wages and more automation. All these problems are perfectly soluble. There are now some good automatic systems for picking produce, if people do not want to do those jobs. I hope that there will be more productive ways of employing people so that they can be paid more—for instance, if they work smarter and have more technology to support them. That would be good for the employee and for the farming business. Some of this is about scale and some is about investment.

I hope that we develop a farming policy that still provides public money to support farms sensibly, but that will be more geared to the production and successful sale of food, particularly domestically. We want fewer food miles on the clock and rather more local produce. I hope that the policy will allow and encourage more agricultural businesses in the United Kingdom to add value to the product coming from the field, shed or farm, because that is an important part of developing a prosperous and more successful economy.

The UK has enormous scope in sectors such as the media because we have the huge advantage of the English language. We largely share that advantage with the United States of America, which is also very good at media and internet-related businesses. I look forward to the tech revolution being an important part of our better-paid jobs and in the increase in jobs in the future. Once we are out of the EU, we will also be able to choose our own tax and regulatory regimes. I trust that we will choose a best-in-class, world-leading regime for both tax and regulation. Although I understand some of the irritations that the EU and others have with existing large technology companies, it is important that we also understand how phenomenally popular their services are, how hugely important they are as wealth generators, the choice they offer customers and the new jobs that they will create. We

therefore need a tax and regulatory regime that is fair and is not part of a trade war between the EU and the United States of America, which seems to be developing at the moment in an unfortunate way.

Infrastructure is very important. One thing that perhaps unites the House is that we would all like more investment in infrastructure, although we then have disagreements about pace, style, and ways of financing it. There is huge scope for more infrastructure in this country. If we wish to take advantage of our greater freedoms and the kinds of business developments I have been sketching in different sectors, we will certainly need a lot more capacity in road and rail. Rail capacity can be increased more cheaply and more rapidly if we go over to digital controls. One of the features of our railway system is that we run very few trains an hour on any given piece of track. With better controls, we could increase the number of trains we ran on existing track—a quicker and cheaper solution than having to build lots of new tracks.

We are going to need improved road transport. Internet styles of purchasing require road capacity for all the van deliveries that will be made when people have bought on the web. Road capacity is also needed for those who still like going to a traditional shop and expect to find somewhere to park when they do so. Only the shopping centres that have really good access and really good parking are likely to flourish in today's world, because people naturally want convenience. I trust that the Government will find sufficient public capital support for these necessary programmes, but will also be imaginative in finding new ways of harnessing private finance where that is appropriate, as it clearly is in areas like energy and communications where there are defined revenue flows that should be financeable through the private sector.

The aim of Brexit is to cheer the country up, to get wages up, and to get jobs up. So far it is all going reasonably well. There are more jobs after the Brexit vote, despite the false forecasts. Pay is going up a bit. We would like more improvement in real pay, and it is good to see some moves being made in the public sector. The big Brexit bonuses we want comprise spending our own money and knowing when, how much, and what we are going to get for it; having a fishing policy that makes sense both for British fishermen and for British fish; having a better agricultural policy that means we can grow more of our own food; and having an energy and industrial policy that supports more investment and more growth.

Peter Dowd: The right hon. Gentleman is an advocate of a united kingdom, especially as we are coming out of Europe, but there is the vexed question of Northern Ireland. How does he see that fitting in with his vision for the future? It is very important for Northern Ireland, as part of our UK economy, to understand where he is coming from on this matter.

John Redwood: I trust that Northern Ireland, as part of the United Kingdom, will benefit from the economic policies I have been describing. It is the settled wish of a majority in Northern Ireland that they stay part of the United Kingdom, and they are very welcome. If the hon. Gentleman is referring to the alleged difficulties regarding the border, I simply do not think that that is a serious, real problem. It is obviously a political problem because

the EU wishes to make it so, but the EU needs to understand that this border is already a complex one. When goods are being moved either way between the Republic of Ireland and Northern Ireland, there is a currency change to be effected, and there are different incidences in excise rates, VAT, income tax and corporation tax levels on each side of the border. Yet we do not have a man or a woman at the border stopping every truck and working out the sums on what has to be done on the excise tax or the currency, because that would be ridiculous. If we end up with World Trade Organisation-based trading so that there do have to be tariffs at the border, it is no more difficult to calculate the tariff electronically and charge it away from the border than it is to charge the excise and the VAT at the moment. We know how to do it; it is not that complicated: we live in the electronic age. I can see that Labour Members want to live in the pre-computer world and do not think that we can send data electronically, but I assure them that it is a magical development.

Jonathan Reynolds: The slogan of the leave campaign was "Take back control". What does that mean if it does not mean taking back control of one's borders? There are movements of people that need to be considered. There is still the common travel area between this country and the Republic of Ireland. One cannot simply introduce borders and then tell the British public that those borders will not be physical, or even exist, because there will somehow be a digital solution. It is not practical to say that those borders are going to be put in place and then they will not exist.

John Redwood: The hon. Gentleman has been here long enough to know that all parties have always agreed that we keep the common travel area with the Republic of Ireland. That has always been a given. It was not dependent on the EU in the first place, and everybody wants to keep it.

Let us deal with the question of our UK external border, wherever it may be, and the issue of migration. Yes, the British people voted to have more controls over the number of people who come to work and settle here. The Prime Minister has promised on several occasions that she will get the net migration total down to tens of thousands from the quarter of a million-plus we have been experiencing each year, and I wish her every success with that. We do not need new hard border checks because, as I understand the way that thinking is going in the Government—the way I encourage it to go—we just want to control two things. We want to control the right to work through a work permit system and we wish to control the entitlement to benefit by making sure that people are properly qualified for it. That does not require big controls at the border. Anybody is welcome to come as a tourist, to come and spend their own money, and to come and invest. That is not what we are trying to stop. We can control the things we wish to control through a work permit system and through a benefit system.

Peter Dowd: I am listening carefully to the right hon. Gentleman, if only out of a sense of morbid curiosity, with regard to how he is going to explain practically the situation in Northern Ireland. We have heard a lot of abstract ideas; we need practical solutions. It is incumbent on him to give us a serious, practical way forward in relation to that problem, which is very serious, notwithstanding what he says.

John Redwood: I do not agree. It is already a complex border. There are already anti-smuggling arrangements. There are already methods that satisfy those on both sides of the border as regards the possible passage of criminals and so forth. All those things will stay in place. They are not made that much more complicated by our leaving the EU. The Republic of Ireland is not part of Schengen; it does not have those special arrangements that the rest of the EU has, so this is making a mountain out of a molehill. Indeed, I do not think it is even a molehill. I just do not understand why serious people can think that it is a serious issue. I understand why political people want it to be an issue—because they want to extract a price from the United Kingdom, as if we had not already offered enough in the interests of friendly relations, in due course, with the European Union. I assure Labour Front Benchers, who are meant to be pro-Brexit and have a lot of pro-Brexit voters, that I cannot see any extra complication that cannot be solved by a bit of electronics and the development of what we already have, because it is already quite a complex border.

There are huge opportunities. If we take advantage of these freedoms, we can boost our growth rate. I have shown how we can do that in a few individual sectors. I have shown overall how we will do it by spending our own money, and explained how we have a huge opportunity to rein in some of the excessive imports we are taking in at the moment by replacing them with home production. We can do many good trade deals around the world to extend and improve our trade with the rest of the world, which is already good, growing and flourishing despite tariffs and WTO terms: we know how they work and they work just fine. I just say this to the Government: let us get on with it; let us not make any more concessions; and let us make sure that if we do end up with a deal, it is a deal worth having.