

My speech in response to the Budget, 4 March

I welcome the extension of help to individuals and companies. All the time people cannot go to work or businesses cannot trade and all the time that there are pandemic regulations and social distancing that impede people going about their normal business, it is vital that the Government offer alternative income and support. I am pleased that the Government came up with a big response originally, and it is necessary to carry it on for as long as these restrictive measures remain in place.

I also welcome the fact that the OBR has decided that we will be borrowing £39 billion less in the current year than in its recent November forecast. I think that serves as a reminder or a warning to all those trying to debate the economy based on a set of figures; these are very uncertain times. It is difficult for the official forecasters to come up with accurate figures, and we should be especially suspicious of ideas based on what the deficit might be in a couple of years' time. This deficit will fall very rapidly.

Assuming the great success of the vaccines continues, and assuming that we can relax and get people back to normal work and normal business within a few weeks or months, we will then see the deficit come down because so much of the deficit has been caused by the special pandemic measures.

The figures confirm that around £250 billion of extra spending in 2020-21 was the direct result of the special pandemic measures, and that there will be another large figure in the first part of 2021-22. We want to see the end of all those special expenditures—because people have better-paid jobs to go back to, businesses are trading successfully, and there is turnover and profit coming back to our small and large businesses—and so much of that expenditure was a poor substitute for being able to do the thing itself.

There was of course some loss of tax revenue, and again, we would expect to see tax revenue rise quite rapidly as soon as people can trade properly again, as soon as there are more transactions in the economy, and as soon as we are making more goods and providing more services to each other, as I am sure we will. So the Chancellor is right to say that the crucial step to getting the economy back to health, the deficit down and the numbers back into shape is to promote a recovery. He is right to want more investment in our economy.

The public sector numbers show public sector investment going up, and it is very important that good projects are chosen that will have a good payback. It is very important, too, that the tax incentives are correctly honed so that we get the boost in private sector investment that we want. The Chancellor is also right not to rush out any new fiscal rules.

We will need a new set of rules in due course, however, and they must be geared to a faster growth policy and a policy about levelling up and

investing in great projects around the United Kingdom.

That must be linked to sensible discipline on public finances and, above all, to keeping the good control of inflation that we have had for a number of years now. It is reassuring that the OBR and the Bank of England are very confident that inflation will remain low, which gives us a bit more flexibility, but we need to watch that inflation situation.

I note that the OBR thinks the balance of payments is going to be weak for two or three years, and that provides an opportunity. In the post-Brexit world there are huge opportunities that we can exploit more easily in import substitution. Why do we not, for example, with our great green policies, plant many more trees and make sure there is much more sustainable husbandry of trees so that we replace many of the timber imports?

And while we are about it, can we replace the pelleted timber coming in to produce power at Drax with home-produced sustainable timber? We should also put in sufficient electricity capacity, because if we want an electrical revolution we will need a lot more capacity, and while we are doing that we should get rid of the imported electricity through the interconnector, which we rely on more and more for no particular reason.

We used to be able to have all our own power provided in the UK with a decent margin and I suggest we return to that. We can do a lot more on food and fish, too. I urge the relevant Ministers and Departments to promote food and fish, and also to make sure that the grant schemes and regulations that are now under our control are used to increase our capacity so that we start to substitute many of the items that are coming in.

A recovery needs more orders and more investment in capacity; it requires excitement over new products and services and the restoration of old products and services. That must be the single thing that most motivates all the relevant Ministries and Government policy, because the only way to get this very big deficit down is to have more revenue and less expenditure, and the only legitimate expenditure to cut is all the spending we have been doing as a poor substitute for a decent economy with well-paid jobs and successful businesses.

So I say, let's go for growth; let's do everything we can to promote more things being made and grown and sold within the United Kingdom. There are huge opportunities, and that will be good economics.