

A world slump

The IMF forecasts for world output and incomes this year makes predictably poor reading. They foresee a fall of 4.9% in the world economy. It is only that modest because they think the world's second largest economy, China, will perform much better than most, reporting growth of 1% despite its lock down and pandemic damage.

The US with a fall of 8% does considerably better than most of the European countries. Spain and Italy with bad outbreaks suffer the worst, losing a massive 12.8 % of their incomes. France does badly too, at 12.5%. The UK manages minus 10.2%, considerably better than the other large Europeans despite also having a bad attack. Only Germany does better, at minus 7.8%, thanks to a much less severe case of Covid 19 and the high capacity of its mixed public and private health system.

The forecasts for the following year show a struggle to get back to where we started. The IMF expects the world to lose 6% of GDP over the two years, representing two years of missing growth allied to a slow recovery to get us back to where we started.

These figures seem to show that Brexit is not a negative, with the UK better placed than most of the continent. The US usually outperforms, partly because of the excellence of its digital companies and their ambitious growth plans. All now hinges on governments managing the two big problems together. They have to relax enough to restore most economic activity, without allowing a major flare up in the disease. I will return to that difficult balance in a future post.

Planning a brighter future

Yesterday the Commons debated our planning system. At issue was the granting of permission to build new homes in Westferry, London, where they are much needed. Tower Hamlets Council failed to provide an answer on the planning application within the quite generous time limits laid down, so the decision fell to be made by the incoming new Secretary of State for the Environment. Opposition parties did not like the way he made it, and or did not like the decision.

Most people in the UK think there should be a planning system, but many disagree with whatever system is in place, particularly when it results in a decision they do not like. There are many people with land who would like to make a big profit by putting it forward for development, who find their land is not preferred. There are many others, often their neighbours, who think their local area has enough development and do not wish to see green fields

built on or old buildings replaced by much larger developments . The tensions are understandable. The task for government trying to judge between the competing views is uncomfortable.

The aim of planning policy is to provide some intelligent framework for these decisions, setting out in advance through local plans where development is likely and where it is not. Years ago the system revolved around a fairly simply local map. The map would show through hatched markings which places were to be kept as green openspace and farmland, which remained as built up area and which parts could be used for new building. The built up areas could also gain special protections through area designation as a conservation area, or from individual building listings.

Over the years I have been watching planning it has got a lot more complicated, with local plans now going into huge detail and containing many subsidiary policies about permitted development. I am not sure this added complexity has produced better results or has been any better at allaying tensions over decisions. One of the worst features in my area has been from a landowner or developer gaming the system. They fail to build out the agreed permissions for new homes, whilst putting in for more permissions in close by locations,. It can be more profitable to trade planning permissions than to actually build and sell the homes. This undermines public confidence in the system. It can also lead to bad planning, with too many homes on floodplains or stretching local services too thinly.

Getting people back to work

Before the lockdowns there were some 5 million self employed people in this country. Most of them will continue as self employed but never take on a first employee and start the progress of building a bigger business. They are very valuable anyway, offering goods and services in flexible and attractive ways. They are a crucial part of the UK economy.

It is now an urgent task to tackle the unemployment the virus has already created and the possible job losses that could follow as the furlough scheme is wound down. Today I would like your help, by asking what changes to law, taxes and regulations should the government make to persuade more of the self employed to take on that first member of staff or that first apprentice to grow their business and to help bring down unemployment?

Some self employed I know used to run small businesses, but gave up on them and returned to working on their own for themselves. Going over the VAT threshold caused a lot of administration and worry. Choosing the wrong employee could land them in difficulties, without the resources a large company has to manage the odd difficult staff member. Conscious of the many duties of employers, they decided they would rather spend all their energy on serving clients and customers themselves, and limit their business size to

their own work rate.

I have taken up the cause of the self employed in various ways. I have asked for the end of the threat to change IR35 and prevent some people from being self employed. I was one of those who asked for a self employed version of the furlough scheme for those banned from working. I think the VAT threshold could be raised to help. I want the public sector to turn to small business and the self employed for some of their work where the flexibility and price are helpful. So often public sector contracts are too large for small business, and the procurement process is biased in favour of the large companies.

A European recovery fund?

Last week at the video Council of Ministers the EU began to consider the Commission proposal for a E750 bn Recovery fund. This had developed from a joint Franco German idea. The EU would borrow money, and spend it on grants and loans, with more emphasis on the deficit countries that took the worst hit from the pandemic.

In the hands of the Commission this has become a way of borrowing at EU level against the security of the revenues in the next 7 year cycle of annual budgets. The money would start to be borrowed next year, continuing over a three year period and gradually dispensed as a kind of addition to the budget. So it will not be a fast acting recovery fund which is needed this year and the first part of next. It also implies there will need to be some disbursements to the richer states as well as the most needy. The plan was to spend two thirds of it as grants and one third as loans.

So far the Netherlands, Austria, Sweden and Denmark have said No. It needs unanimity to pass. They disagree with the idea of grants and especially with the idea of pooled borrowing where they will be partly responsible for repaying these debts. So far their governments have decided to speak for the voters. According to polls there are large majorities against common borrowing in these countries.

The Council and Commission have decided to return to this in July, hoping there might then be some give in these positions . Federalists see Covid as an opportunity for a major breakthrough to a bigger budget and some transfers from rich to poor, as in a single country. The danger is if they push too far in this direction they may give more encouragement to populist forces in several countries.

It is also interesting to see at the same time member states who say they want more integration rapidly moving to more state aids and more national restrictions on commerce and movement. The single market the EU claims to love is under pressure to allow national champions, national resilience

policies and more barriers at borders.

[My remarks during the Statement on Statement on the Reading Terrorist Attack](#)

Sir John Redwood (Wokingham) (Con): I hope the whole House will join with me in sending our deepest sympathy to the friends and family of James Furlong and to the staff and pupils at the whole school in Wokingham where he taught. He was by all accounts an inspirational teacher who always went the extra distance for his pupils and was a very kind man who will be sorely missed. The community is obviously very shaken today by this news.

Will the Home Secretary intensify the efforts of the intelligence service, the police, law forces and the others as we have had too many of these mass murders in recent years and we want some reassurance we can get on top of this and save the lives of others for the future.

Secretary of State for the Home Department (Priti Patel): My Right Honourable Friend is absolutely right and I too pay tribute to the shocking events that have happened and pay my respects as well to Mr Furlong. These are absolutely appalling events and attacks and all our sympathies and thoughts are with his family and his friends.

My Right Honourable Friend is absolutely right in terms of the intensification of the work that is taking place. This is crossing cutting across Government covering a range of measures – police, intelligence, security. The Right Honourable gentleman also mentioned our borders and the work we are doing in terms of moving our borders, dealing with criminality checks – that is all ongoing work and it will, of course, be intensified.