

The US pulls out all the stops to abate the deep recession

There is a much greater sense of urgency in the USA to offset some of the damage done to the economy by anti CV 19 policies. The Central Bank, the Fed, has ridden to the rescue. It has printed money and bought bonds on a huge scale. It has supplied the world with dollars, driven down rates and stabilised the market for financing companies.

Its balance sheet has soared from \$4.3 trillion on March 11th to \$6.6bn by mid April, a massive expansion of more than 50%. In contrast the Bank of England has gone from £580 billion in early March to just £647 bn in mid April, an increase of 11%.

The US sent everyone below \$75,000 a year a cheque for \$1200 as well as setting up business grant schemes and a furlough scheme. The UK has also set up grant and employment retention schemes.

The US money supply leapt by an annualised 20.9% in the first quarter. The UK's increased modestly to a 5% rate of growth. Which of these institutions is right?

In the short term I fear the US is correct. The huge downturns the fashionable anti Covid 19 policies generate are designed to do maximum economic damage to all but health, food and essentials and the public sectors. All out of home entertainment ,tourism, most travel and hospitality and most non food retail are simply shut down. Consumer demand plunges. Many people lose their jobs and can only afford the basics. Those who keep their pay are very restricted in what they can buy so they end up saving.

Printing money does not bring the closed businesses back to life, and it cannot in the short term generate more demand where business is banned. It does however make borrowing more affordable for the government and for companies fighting to stay alive. It is better than doing nothing and watching more job losses and bankruptcies.

There are many arguments over the details and duration of the current health policy. There are no arguments over its economic impact. Everyone agrees it is a disastrous economic policy. The US is right to fling money at people and companies to try to offset some of the damage. You cannot go on doing that for very long. The huge budget deficits, the big expansions of money can only be short term palliatives. The only sensible economic policy is to get many more people back to work as soon as possible. The Fed will need to rein in the extra money as the economy starts to recover to prevent inflation.

Making Parliament work

I spoke in Parliament this week on a link from home, as MPs are encouraged to do. I am grateful to the Speaker and House authorities for their hard work in making sure Parliament can meet whilst obeying the social distancing rules. They responded to those of us who requested we meet.

We can only have a Parliament by limiting numbers strictly in the Chamber itself, where I would rather be. A Parliament working remotely is better than a Parliament not meeting at all, but there are losses from this temporary system. An MP cannot intervene on another to debate an issue or challenge an assertion. You cannot spontaneously ask a question or decide to make a contribution to a debate. You have to book a slot well in advance, with plenty of competition for such slots. Parliament is meeting for less time so opportunities are more limited.

Readers may be relieved to know there are still plenty of other meetings and communication underway between MPs, though we no longer benefit from those many informal conversations and rapidly convened meetings that characterise a usual Parliamentary day. Ministers are making themselves available by tele conference. Groups of MPs and committees meet through Zoom or Teams. There is intensified email traffic and phone calls. Many of us are trying to find substitutes for the many face to face meetings and conversations which help shape government policy and government responses to problems.

Coronavirus Testing

I have received this update from the Government:

Today the Government announced that anyone in England with coronavirus symptoms who either must go to work or is over 65 can now be tested.

Further information on accessing the service is available here:

<https://www.gov.uk/coronavirus>

Apply for a test here:

<https://self-referral.test-for-coronavirus.service.gov.uk/test-type>

The UK as a leading advocate of Free Trade worldwide

The Minister of State for Trade has told us that the UK has now taken her place as a full WTO member and is making an important contribution to the world trade discussions. Secretary of State Truss made the first UK Ministerial speech there since 1972 earlier this year.

The Department for International Trade is now planning trade talks with the USA, Australia, New Zealand and Japan. These will be in parallel with the PM's negotiations through Mr Frost with the EU. The US Trade Representative has made a recent visit to London, and the US is keen to make rapid progress. Since 2008 our trade with the rest of the world has been bigger than our trade with the EU and growing faster, despite the absence of Free Trade Agreements with most of it.

Trade talks with the US were scheduled to take place face to face in April, but these are having to be transferred to audio visual conferences owing to anti virus controls. I want the UK to respond positively to the US wish to press on with them quickly.

In discussions with the EU State aid issues can be best handled by the UK having a strong competition policy of its own whilst accepting that the EU regime is sufficient on the continent, so each party can trust the other's system.

The UK should aim for lower tariffs than the EU common external tariff. We should encourage cheaper food where we cannot grow the products for ourselves. We should set our own high standards for food quality, animal welfare and hygiene, and aim for mutual recognition of each other's standards with counter parties in Free Trade Agreements. There is no need to charge any tariff on imported components needed for UK manufacture.

The US/UK Agreement could become a template for other deals worldwide by both the USA and the UK.

My speech during the debate on the Finance Bill, 27 April 2020

John Redwood (Wokingham) (Con): I have declared my interests in the Register of Members' Financial Interests.

At the time of the Budget it was a very different world. The Government were

forecasting a little bit of growth and recommended a modest stimulus.

I remember that I was able to welcome that stimulus in the Budget debate—I thought it was right that we boosted public spending a bit and borrowed a bit more—but with masterly understatement I said that I was a bit surprised by the magnitude of the stimulus: I thought that perhaps something more was needed.

In the six weeks that have elapsed since then, we have seen a blizzard of announcements that have made it clear that the Government recognise the magnitude of the downturn that now besets us and the world economy and are rightly moving swiftly to try to provide some compensation to the many businesses that cannot trade and the many people whose jobs are under threat or whose income is disappearing because of the lack of work.

The response is correct, so the Government should look again at the Finance Bill in the light of the fact that the events that led to its formation have been completely overtaken by the magnitude of this crisis, and because we will need quite soon a Finance Act that does everything in its power to promote recovery.

Tax rises are not a good idea at all. The Government, in this period of response to the crisis, have offered tax holidays, tax reductions and tax deferrals, which is the right response as the private sector and individuals cannot afford those taxes at the moment with their incomes so rudely interrupted.

The Government must also look at the groups of people they are targeting. I urge the Minister to think again about changing the rules on IR35. There are about 5 million self-employed people in this country who have been doing a magnificent job for us.

They provide flexibility, service and products that we need and they are very competitive. A number of them have been living under the shadow of those tax changes; some have lost contracts and work to overseas companies and competitors simply from that threat. I therefore urge the Minister to think again and recognise that we need to reward and encourage those people, not threaten them with a new tax. Above all they will offer a lot of the flexibility, hard work and energy that the recovery will need.

The Government are right to provide as much compensation as they can and the Bank of England is right to buy a lot of bonds and create money, but we all know that that is not a sustainable model for the economy in the medium to longer term. I echo the comments of colleagues who rightly said that we need a way back to safe working as quickly as possible. The only way we can afford to pay for the NHS is to have more people at work paying taxes and earning decent incomes, and more companies generating turnover who can then afford company taxation.

Through the Finance Bill and all the other measures the Government can undertake, we must together ensure that we have as early a return to work, and as safe a return to work, as possible, and that means working away with

business on better safety so that people have the clothing and equipment they need, automating where necessary and allowing proper social segregation while people are working in warehouses, offices and shops.

We need to develop those new business models, and the Government can provide a lead by showing how they can continue to administer their great services while looking after the safety of their employees to the best possible effect.

That requires reshaping the Finance Bill. I am delighted that the Minister is thinking of making amendments to the Bill during its passage through the House. I ask him above all to look at measures that could reward companies that go in for a new model, and reward employees and the self-employed who go that extra mile to work safely and create some restoration of service and activity in our economy.

No one in this House has seen anything on this scale or magnitude before. Never have we got to the point where a quarter or more of the companies in the country are not allowed to trade and millions of people are banned from doing their job because of public health and safety considerations.

In this situation, we need to offer them a Finance Bill with hope, a Finance Bill that will help them finance the recovery and a Finance Bill that will make it worthwhile for them to lead that recovery as soon as the time comes.