Visit to Bohunt School

On Friday I visited the School. 4 students showed me round, I answered a series of questions from a pupil panel, and had a session with the Headmaster.

I briefly visited a number of spirited and informative lessons and met a series of questions about environmental matters and access to politics for young people.

The School would like to add a Sixth Form to its establishment. I am happy to support that aim, as I agree a Sixth Form can provide academic, sporting and general leadership to a student body

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The ECB response to corona virus

The main points in the ECB response yesterday made sense and were similar to the Bank of England's approach the day before. The ECB announced a major increase to its version of the Funding for lending scheme, the LTRO facilities advanced to Euro area banks. It announced that Euro area banks can borrow from the ECB with the ECB paying them 0.75% a year for the money, so they can lend it on to businesses and individuals.

They also announced an expansion of Quantitative easing, adding another Euro 120bn this year. They reduced the required capital commercial banks need to hold for any given amount of lending, and allowed a wider range of assets to be used against the lending. They did not cut their main interest rates, which are at zero or negative already.

The ECB has two problems the Bank of England does not share. The ECB thinks a fiscal stimulus is needed at the same time, as the UK authorities arranged. The ECB cannot be sure this will happen. The Treaty rules make it unlikely, unless they find a way of authorising temporary extraordinary measures.The ECB wants governments to make banks lending to distressed businesses more likely by offering loan guarantees financed by taxpayers. Again, it cannot guarantee this will happen.

The ECB has gone some way in weakening its prudential regulation of the commercial banks. It will allow them delay in implementing requirements imposed on them by Regulatory Inspection, and it will put off the next set of stress tests they need to meet. It is relaxing the type of capital they need to hold and it will allow them to go under the Pillar 2 Capital requirements anyway in order to keep lending going. It needs to be careful this does not build more future problems into the commercial banking sector.

The ECB has done a better job at keeping money growth at a sensible level than the Bank of England over the last couple of years, offering more support for the Euro economy. It now needs to be careful it does not dilute its regulatory standards too far and allow banks to build loan problems for themselves on a scale out of proportion with their capacity to absorb the subsequent losses when some of the loans go bad.

Advice on the virus

The Health Secretary has answered some common questions people ask. These answers may be of interest to constituents.

1. Why aren't more people tested for the virus? Apparently the tests are not accurate until someone has visible symptoms.
2. Why aren't the schools closed? Young people are the least likely to develop bad symptoms from the epidemic. To keep the NHS and other essential services functioning well it is important parents can go to work.
3. Why are people allowed into the country from places abroad with the infection? Many of the travellers are UK citizens returning home. It is difficult to stop people coming to the UK, given the large number of different ways and routes they can use, short of a complete ban on all travel which would be very disruptive.

My speech during the debate on the Budget, 11 March 2020

John Redwood (Wokingham) (Con): I have declared my business interests in the Register of Members' Financial Interests, although I am of course not speaking for them.

I congratulate the hon. Member for Ilford South (Sam Tarry) on an excellent maiden speech. He was warm and informative about his predecessor, who was much respected on both sides of the House. He rightly drew attention to injustices and problems which he has a passion to solve. I would just like to reassure him that there is no monopoly on wishing to solve those problems on his side of the House. That is what we are all here to do.

It is a great pleasure, for the first time in about five years, for me to be able to welcome the actions of the Bank of England today. It is a pleasure to see the Bank of England and the Treasury co-ordinating their work, and doing

things that are massively in the public interest. For the past five years, it has been my miserable task to be the one voice in this House pointing out that the Bank of England has consistently got its economic forecasts wrong and that it had made a number of very bad decisions. I have been particularly critical of the way it decided to tighten monetary policy and slow the economy from spring 2017 onwards, culminating in the very ill-judged decision it made at the end of last year to increase the counter-cyclical capital buffers, which meant denying loans to businesses that wanted to expand or to solvent people who wanted to buy a new car or a new home. It was a very bad policy and it is wonderful news today that the Bank of England, with its new Governor, has started off on a much better basis and has cancelled those counter-cyclical buffers. It is the single biggest amount of money we are talking about in this debate. As the Bank of England itself calculates, it means up to £190 billion more is now available for good projects, for business requirements and for individuals who want to borrow for big ticket items. Of course, banks must still be prudent and sensible in the way they advance that money, but the previous controls were too tight. Against the background of world downturn, it is very important that that firepower is made available.

Just to reinforce the position and to deal with the special problems that the virus is now likely to create, the Bank of England also put forward a new medium-term lending scheme for the banks, so they can get access to large sums of money—up to £100 billion in total—at the new very low rate of 0.25% to lend on to medium and small-sized enterprises. Again, that was something I was very keen for it to put forward. I am delighted that it has returned to this idea. It is much needed, I fear, because we already see the virus having a very negative impact on certain businesses, most obviously in aviation and other transport, but now also in events and some other tourism-related activities where we see the pinch already being established by the virus. If, as we fear, it spreads more, that is going to get rather worse, so I welcome the double set of actions by the Bank of England. I am not sure that 50 basis points off the interest rate makes very much difference. It is not something I would have done myself, but I can see that it was well intentioned and it sends a very clear signal that borrowing should not only be available but cheap in these very extraordinary times.

I also welcome the fiscal stance the Government have adopted in the Budget. If anything, it is on the prudent side of what one might have expected in the current circumstances. Some of my colleagues will find that curious coming from me, a former hawk, on how much this country can afford to spend and borrow. However, in these circumstances, and against the massive monetary and fiscal tightening we have experienced for some three years and the very noticeable slowdown or faltering of the world economy, it is obviously sensible to have a fiscal stimulus. The £18 billion underlying stimulus is definitely at the bottom end of the kind of range that many people were thinking about.

On top of that, there is the £12 billion package which the Government have wisely put forward. They stated that if the virus problem gets worse there will be more. I hope it will be the case that the virus problem does not get

that bad and we do not need to spend the £12 billion or anything like it, but I am pleased the £12 billion is there by way of additional resource for the health service should the need arise and as additional money available particularly for the business sector, which, in certain circumstances, if we have anything like the experiences of some other countries abroad have now had, would need cash injections. I am very pleased that thanks to the Bank of England it will not just be a question of lending at cheap rates through the commercial banks, but that in some cases, particularly in hospitality and tourism-related areas that are already being fairly badly hit, it will be a reduction in their bills.

I listened carefully to the very long address by the SNP spokesman, the right hon. Member for Ross, Skye and Lochaber (Ian Blackford). I cannot see how that party's VAT proposal would help, because VAT is turnover-driven and we are talking about businesses that lose much or all of their turnover, so it would not deal with the problem. The Government have a much better answer: to take a cost that businesses cannot get out of quickly or avoid—their property cost—and say that the Government should not be charging them for using property when no money is coming in, because there is no turnover as they have lost their customers. I agree with the Government.

Sir Edward Leigh (Gainsborough) (Con): I was not allowed to intervene on the leader of the SNP, but surely any sensible person would come to the conclusion that when faced with an existential threat to our country, such as the coronavirus, we are much better dealing with this together, as a United Kingdom, than as separate nations.

John Redwood: My right hon. Friend and I think that, but more importantly, that is what the Scottish people voted for just a few years ago, when we very wisely and democratically said, "Yes, let the Scottish people decide." They did decide and I wish their elected representatives here would understand the result of the referendum and remember that their colleagues told us at the time, when asking for it, that it would be a once-in-a-generation matter. While I am a democrat who thinks that these things occasionally need exploring, we cannot explore them every five years. These are fundamental things that are very disruptive if we keep going into them. I had to wait many years to get an EU referendum—rather longer than I wanted—but I do not think we should have one every five years. That would be quite inappropriate.

To go back to the Budget judgment, I was interested to see that quite substantial increases in spending, which we need in health, education and police, for example, have been relatively easily accommodated. It is good to see already in the first-year figures—for 2020-21— £4.6 billion of Brexit savings coming through. It is very good to see that there will be another £10 billion on top of that by the end of the forecast period, so the Brexit bonus is available and is beginning to come into these figures.

It was also good to see the £6.6 billion of interest cost reduction, thanks to the quite substantial falls in interest rates that had occurred before this month. The point that I was making to my right hon. Friend the Member for Bromsgrove (Sajid Javid) is that those savings would be considerably bigger if we forecast them at today's interest rates, because interest rates

for Government borrowing have fallen even further. He countered and said, “Yes, but you still have to be very careful because you can’t necessarily assume that that will go on into the future.” The bad news is that interest rates are going to stay low for a bit, but the good news is that the Government can borrow for 30 years for practically nothing, so now is surely a very good time to lock those interest rates in so that the future interest rate programme is very cheap, as well as the present one. It is something the Government need to think about. I know they have issues about how long they fund, but this is surely a time to move in the direction of longer funding so that we lock the very low rates in.

Stephen Crabb (Preseli Pembrokeshire) (Con): On the very low costs of borrowing, does my right hon. Friend recognise that there is enormous demand in the City of London for long-dated assets? There is a lot of money looking for long-term investments that will provide secure returns, which is ideal for long-term infrastructure spending.

John Redwood: Let us hope that that is right, yes. We hope that the City gets better at managing the gap between those who say they have all this long-term money and the projects that are available. We seem to need a bit more work on that. I am very keen that more of it is privately rather than publicly financed, so that we can get more investment for less strain on the public finances.

The Government, looking at their forward budgets, have rightly said that they wish to increase public sector infrastructure investment. In principle, I agree, but I urge one thing on the Government—I wish that they would look at a large number of smaller, quicker schemes, because what we need to deal with transport problems, in particular, is quicker-acting, smaller schemes that we can get up and running and that will have some tangible results. On the railways, we could have short sections of bypass track on existing main lines to get express trains past stopping trains when the timetable falls over, and digital signalling on a very widespread basis, which could give us something like a 25% capacity increase much more quickly and cheaply than some of the rather big schemes that we have been looking at in this place recently, but I will not be dragged down that particular avenue today.

On roads, the immediate priority is the digitalisation and rephasing of the many traffic signals in this country, because they are not optimised, meaning that junctions restrict traffic much more than they need to. Roundabout substitution, right filters with right lanes and junction remodelling are also possible. We need to get people on the move, and junctions are often a cause of tension and delay. Junctions would also be safer if we optimised them and had less frustration and conflict between vehicles at those junctions. I hope the Government will look at that. We also need lots of bypasses and other local roads to relieve the main motorway system, which is a fixed entity; nobody is suggesting building a new motorway any more, so we need to relieve the pressure on the motorway network with more local road projects. I want to see those projects going in and some concentration on that in the investments we will see in that programme.

I hope that we will look at water management on both sides: we probably need

to store more water for water use—there is plenty of it around at the moment, and it will be galling if we have a long hot summer and then discover we are short of water, given what we have just been through—but we also need that accelerated development of drainage projects and probably more pumps, more dredging and more routes to take water safely away from areas of habitation. It is not good in a first-world country to see the kind of scenes we have seen this winter, with this prolonged period of excess rainfall.

The Budget is going in the right direction. The Bank of England has joined in and is doing the things it ought to be doing—we hope we will not need all that credit, but it is important that those facilities are available against a possible worsening of the virus situation—and I am glad we are making down payments on what we need to do on health and education spending. I have said how I would like the infrastructure money to be accelerated and developed into smaller projects that will really work.

We also need more tax reform. My one worry about the Budget is that it does not cut taxes enough; I would like to see more tax cuts. We only have five years to show how fast this economy can grow before the electorate will judge us, and the more the Government cut taxes, the more the economy will grow, and the more we trust people with their own money, the better they will spend it and the better the economy will do. I say to the Government: trust the people and cut taxes more, and then it would be an even better Budget.

The budget

I will post my speech in Parliament yesterday on the budget this morning.

It is good to see the Bank and the Treasury working together to provide a package to tackle the problems that will flow should the epidemic spread widely in the UK. They also need to work together on the growth strategy for post the epidemic, and on measures to improve productivity and therefore real wages.

The budget judgement produced £18bn of fiscal easing, or under 1% of GDP. The measures for a single year to tackle the virus are additional and would not be repeated.

We will need more tax cuts to promote growth and enterprise in the Autumn budget. The Chancellor had very little time to produce his budget, so it is not surprising he did not open up the issue of cutting tax rates to increase revenues and growth. Levelling up around the country is an important task. It needs more enterprise and private sector investment and company formation around the UK.