

Vol. 802
No. 43



Wednesday
18 March 2020

PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS

OFFICIAL REPORT

ORDER OF BUSINESS

Questions	
Housing Delivery Test	1455
Contraceptives and Hormone Replacement Therapy Drugs	1457
Higher and Further Education: Rural and Coastal Areas.....	1459
Operation Midland.....	1462
Non-Domestic Rating (Lists) Bill [HL]	
<i>First Reading</i>	1464
National Minimum Wage (Amendment) (No. 2) Regulations 2020	
Electrical Safety Standards in the Private Rented Sector (England) Regulations 2020	
Client Money Protection for Property Agents (Approval and Designation of Schemes) (Amendment) Regulations 2020	
<i>Motions to Approve</i>	1464
Armed Forces Act (Continuation) Order 2020	
<i>Motion to Approve</i>	1464
Civil Liability (Information Requirements) and Risk Transformation (Amendment) Regulations 2020	
<i>Motion to Approve</i>	1465
Budget Statement	
<i>Motion to Take Note</i>	1465

Lords wishing to be supplied with these Daily Reports should give notice to this effect to the Printed Paper Office.

No proofs of Daily Reports are provided. Corrections for the bound volume which Lords wish to suggest to the report of their speeches should be clearly indicated in a copy of the Daily Report, which, with the column numbers concerned shown on the front cover, should be sent to the Editor of Debates, House of Lords, within 14 days of the date of the Daily Report.

*This issue of the Official Report is also available on the Internet at
<https://hansard.parliament.uk/lords/2020-03-18>*

The first time a Member speaks to a new piece of parliamentary business, the following abbreviations are used to show their party affiliation:

Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
Lab Co-op	Labour and Co-operative Party
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

No party affiliation is given for Members serving the House in a formal capacity, the Lords spiritual, Members on leave of absence or Members who are otherwise disqualified from sitting in the House.

© Parliamentary Copyright House of Lords 2020,
*this publication may be reproduced under the terms of the Open Parliament licence,
which is published at www.parliament.uk/site-information/copyright/.*

House of Lords

Wednesday 18 March 2020

3 pm

Prayers—read by the Lord Bishop of Rochester.

Housing Delivery Test Question

3.06 pm

Asked by Baroness Thornhill

To ask Her Majesty's Government what assessment they have made of the results of the Housing Delivery Test, published on 13 February.

Baroness Thornhill (LD): Weird, isn't it? My Lords, I beg leave to ask the Question standing in my name on the Order Paper and declare my interest as a vice-president of the Local Government Association.

The Earl of Courtown (Con): My Lords, following the publication of the housing delivery test results, we are engaging with those authorities facing challenges and, through the Planning Advisory Service, providing guidance to those authorities needing to produce action plans. Action plans published from last year's results show that the authorities are taking the right steps to identify the causes of reduced housing delivery and will be working proactively to address these issues.

Baroness Thornhill: I thank the noble Earl, but will he take seriously the concerns about the housing delivery test? Councils are now not only responsible for the delivery of homes in their area; they get punished if they fail to do so, including through the removal of their planning powers. Yet councils—this is the rub—have zero powers to ensure that planning permissions, once granted, are built out. In fact, none of the eight interventions that the Government suggest in the relevant planning guidance pertain to the delivery of homes after planning permission. Can the Minister assure me that this test and its effectiveness will be looked at specifically in the forthcoming planning White Paper? You do not fatten a pig by weighing it.

The Earl of Courtown: My Lords, I thank the noble Baroness for her question. The fact is that the country needs houses. There is a commitment to 300,000 new houses, we have announced work in the Budget and, as she says, there will be White Papers on future planning and housing. All these are aimed at moving on so that we can achieve this challenging—I must agree with her—target.

She also asked about the test and how it will progress. As she knows, where delivery falls below 95%, the local authority should prepare an action plan proactively to identify the causes, but only when it falls below 45% does the presumption in favour of sustainable development get applied.

Lord Young of Cookham (Con): My Lords, the housing delivery test applies to those local authorities that have an adopted local plan against which to measure progress. Can my noble friend tell the House how many local authorities have not got an adopted local plan, how the delivery test applies in those cases and what action the Government are taking to ensure that those local authorities produce an adopted local plan?

The Earl of Courtown: My Lords, I thank my noble friend Lord Young for his question about local plans. Those local planning authorities without an up-to-date local plan will be set a deadline of 23 December to adopt a new plan. At present, 90% of local planning authorities have adopted a local plan, but I should add that it is slightly more nuanced than that. If the five-year review looks at the plan and decides that it does not need to be updated, it can carry on; so, technically, it is feasible to have a plan older than five years that is still up to date. As my noble friend says, it is most important that local authorities have an active and current local plan.

Lord Kennedy of Southwark (Lab Co-op): My Lords, I declare my relevant interest as a vice-president of the Local Government Association. We often discuss housing and planning in this House but I want to take the noble Earl back to the fact that well over 250,000 planning applications have been approved by local authorities with not a brick laid. That is the problem: getting these homes built.

The Earl of Courtown: My Lords, the noble Lord makes a good point. Where these planning permissions are current, the building process must continue. This is why we have committed £44 billion of funding over five years to build more houses, simplify the planning system for the public and small builders, and renew the affordable homes programme to build thousands of affordable homes. This is all about trying to get more bricks put in the ground so that we can have more houses for everybody who needs them.

Noble Lords: Bishop!

A noble Lord: Archbishop!

The Archbishop of Canterbury: A distinction without a difference, my Lords. The Question from the noble Baroness, Lady Thornhill, is pertinent. Last year I set up a commission to look at the building of housing and communities. Simply the delivery of more houses does not create better communities. The mere existence of houses is not in itself a virtue. It comes back to fattening the pig, as the noble Baroness put it so well. What powers will the planned legislation give to local authorities to ensure that affordable housing is delivered? The experience is that, although there may be a commitment to it in the early stages of planning, as the process goes on the number of affordable houses diminishes very severely. There is a lack of imagination over the forms of ownership. If we are to have communities, we must have facilities and the capacity to build those communities together. Does the Minister agree with that, and what are the plans?

The Earl of Courtown: Yes, I agree with the most reverend Primate. Communities are of prime importance. There has been much movement over the last few years in various areas where there has been large-scale development. Communities have been very much at the forefront in how many of these planning development areas have been established. I know in particular about an area in north Swindon. I declare an interest: I was a landscape contractor there. I did a lot of the planting of trees and the general landscaping. There, it was very important that these developments had a community at their centre. The most reverend Primate also commented on what the noble Baroness said—I cannot remember what she said. I apologise; I will write to the most reverend Primate on that issue.

Lord Alton of Liverpool (CB): My Lords, in addition to the eight local authorities being immediately sanctioned, what will happen to the 26 local authorities that have been told they will have to produce action plans? How long will they have to do that for and what sanctions will be applied to them if they fail to comply? After all, as the noble Baroness, Lady Thornhill, put it, we need carrots as well as sticks.

The Earl of Courtown: The noble Lord, Lord Alton, makes a very good point. As he said, 26 local authorities have achieved between 85% and 94% of delivery. They need to produce an action plan to remedy this. We look forward to the planning White Paper, but one should remember that we will also be reforming the fees process for planning applications. This is to ensure that local planning authorities are properly resourced.

Contraceptives and Hormone Replacement Therapy Drugs

Question

3.14 pm

Asked by **Baroness Thornton**

To ask Her Majesty's Government what assessment they have made of the shortage of supply of (1) contraceptives, and (2) hormone replacement therapy drugs, in the United Kingdom, and when they expect that the normal supply of these products will resume.

The Parliamentary Under-Secretary of State, Department of Health and Social Care (Lord Bethell) (Con): My Lords, we are aware of ongoing supply issues with some HRT drugs and a limited number of contraceptives. We are sympathetic to those affected. I am pleased to say that the supply situation for HRT started to improve at the end of February and continues to improve during this time. However, we will work closely with all suppliers and share relevant information on availability to the NHS on a regular basis to ensure that patients can access the medicines they need.

Baroness Thornton (Lab): I thank the Minister for that Answer. I am very happy that things are improving, because a number of HRT medications and contraceptives remain unavailable until the end of this year, some patients have been told, or until they do not know when.

I understand that some of the shortages are triggered by supply problems in China, with some of the components of the popular HRT patches being increasingly in demand for other types of treatment that, in their turn, have become scarce. Of course, one guesses that further disruption in China in the wake of the coronavirus will affect the production and supply of prescription drugs. Does the Minister share my concern that online pharmacies are exploiting desperate women by charging up to four times NHS prices for HRT and contraception?

Lord Bethell: The noble Baroness, Lady Thornton, is entirely right that supply problems persist. The NHS looks after 11,000 drugs and at any one time around 100 or 150 have supply problems. It is a great frustration to those concerned and we are cognisant that HRT has been a persistent problem for more than a year. However, the outlook is positive. I reassure the House that Covid-19 has not had an impact on the supply of HRT. We do not envisage there being a connection or a problem. I share the noble Baroness's concerns that online pharmacies might take advantage of the situation, but it is a marketplace: it provides choice and is regulated.

Lord Alderdice (LD): My Lords, when women go to the chemists to get their prescription, they might well find two problems. The first is the one the noble Baroness mentioned—inadequacy of supply—but it is also increasingly likely that pharmacists themselves will fall ill, so not only the advice, but even the dispensing of available pharmaceuticals will be impossible because they will have fallen ill. Can the Minister tell us what conversations Her Majesty's Government have had with the Royal Pharmaceutical Society to free up some of the normal professional regulations and requirements for exemption and insurance so that relatively recently retired chemists may come back to fill in the gaps that will undoubtedly be there and which will make many pharmacies ineffective because there is no chemist to dispense?

Lord Bethell: The noble Lord is entirely right to focus on pharmacists. I pay tribute to the important role they play in communities. Their role will be essential in the forthcoming months when enormous pressures will be put on hospitals. We will be encouraging people to avoid areas of infection. A typical pharmacy where there are two pharmacists, who might be related or even married, will clearly be under pressure. Two people working closely together are clearly an infection challenge. That is why we have engaged very closely with the pharmacy industry. The noble Lord is entirely right that the possibility of using recently retired pharmacists is being considered. Soon-to-qualify pharmacists might face early call up. Many have already been written to and there might be provisions in the forthcoming coronavirus emergency Bill to expedite the regulatory changes the noble Lord suggests.

Baroness Symons of Vernham Dean (Lab): My Lords, the Minister just told the House that HRT has been in short supply for over a year. Why have the Government not taken effective action on this before now?

Lord Bethell: The noble Baroness is entirely right to express her frustration. It is enormously frustrating for those concerned and for our medicine supplies. Medicine production is a long-term business. There was a point when HRT consumption went down, but then demand grew exactly when some production facilities had backed off their supply. It was an incredibly unfortunate combination of events that has led to this situation, but I reassure the House that we are working extremely hard to provide alternatives and to replace those most favoured products that are in short supply at the moment.

Lord Kakkar (CB): My Lords, I remind noble Lords of my declared interests. Has thought been given to whether novel therapies that might soon become available from research elsewhere in the world might be applied to the management of patients infected with coronavirus in our own country? Is the Minister content that the current regulations that govern the use of medicinal products in man are sufficiently flexible to allow for drugs that not only currently exist but might be repurposed for this, and for novel and innovative therapies, neither of which might be licensed for use in the United Kingdom at the current time, to be made available without further impediment if that was thought to be a useful intervention?

Lord Bethell: The noble Lord, Lord Kakkar, is entirely right to stress this point about regulation. I assure him and the House that we are working extremely closely with Public Health England and the MHRA to ensure that there will be no regulatory hurdle that prevents the swift introduction of proven, safe products into the UK market. This is a massive priority that has had great scrutiny from both the department and Downing Street. It is one that we are focused on and will continue to focus on.

Higher and Further Education: Rural and Coastal Areas Question

3.21 pm

Tabled by Lord Bassam of Brighton

To ask Her Majesty's Government what support they plan to put in place to assist universities and further education colleges to address issues with higher education provision in rural and coastal areas.

Lord Watson of Invergowrie (Lab): My Lords, I beg leave to ask the Question on the Order Paper in the name of my noble friend Lord Bassam of Brighton, who is in precautionary self-isolation.

The Parliamentary Under-Secretary of State, Department for Education and Department for International Trade (Baroness Berridge) (Con): My Lords, we want everyone to benefit from a fair chance, and no part of the country should be left behind. Anyone with the potential to succeed should have the opportunity to benefit from high-quality university education, regardless of their age,

background or, importantly, the part of the country they grew up in. We plan to expand technical and vocational provision at higher levels through the institutes of technology, of which there will be 20 spread across all regions of England.

Lord Watson of Invergowrie: My Lords, I thank the Minister for that response, because there are a significant number of further and higher education cold spots in England, including coastal regions in the east and north and rural areas of the south-west. According to the Social Mobility Commission, those areas have little or no sixth-form provision within a commutable distance, which—predictably—means they have significantly lower percentages of pupils than the national average going on to higher education. That is leading to a poorer qualified, less well-trained, lower aspiration workforce in these areas. Will she explain what additional sustainable support the Government will provide for further and higher education institutions in the seaside towns and other left-behind parts of the country, to redress the education inequalities they experience?

Baroness Berridge: My Lords, the Social Mobility Commission made mention of the Government's opportunity areas. That programme has been extended; there will now be a total of £90 million. Many of those areas, including Blackpool, Hastings and Whitby, are part of that programme. We are pleased to know that that programme is also in Opportunity North East, where there is specific funding. A number of factors affect access to the best education provision, and we are particularly looking at the transport offer. A discounted rail ticket has been introduced for 16 and 17 year-olds. From 2021, apprentices and jobseekers will benefit from discounted bus travel as well.

Baroness Nicholson of Winterbourne (Con): Might the Minister look into coastal towns provision for disabled students? It may not be a question of the provision from the Government; universities may not be implementing the law. I give the example of Anglia Ruskin University, which has superlative education provision access for disabled students—compared with Hull University, which is more than inadequate; I believe it is actually breaking the law. Might the Minister be willing to have a word with me sometime on this?

Baroness Berridge: My Lords, my noble friend is correct that universities are bound by the Equalities Act and should make provision for students with special education needs and disabilities. Funding is available for them to do that, but I am happy to meet her at an appropriate time.

Lord Patel of Bradford (Non-Aff): My Lords, while I applaud the Government for doing all they can for further and higher education in coastal and rural areas, we are seeing a mass exodus of young people from those areas because, even if they get the education, there are no jobs. Are there any initiatives under which we are incentivising businesses to establish themselves in those areas? Could Civil Service relocation plans look at coastal and rural areas as well?

Baroness Berridge: To ensure job opportunities for young people, skills advisory panels have now been set up that bring together the HE and FE provision in the area with an employer, specifically to make sure that the training is there for young people to remain and to keep the supply of relevant skills in the local area.

Baroness Garden of Frognal (LD): My Lords, following on from the previous question, can the Minister say what provision the Government are making to ensure that disadvantaged students from rural and coastal areas have access to the work experience that is a key part of the untried and untested T-levels?

Baroness Berridge: The first three T-levels will be introduced later this year. There has been specific investment of capital to ensure that these will be basically 80% classroom and 20% work placements. Providers have been given the money to establish good-quality work placements, which are an essential part of T-levels.

Lord Blunkett (Lab): My Lords, I wonder whether the House will indulge me. Will the Minister have discussions with her Secretary of State and perhaps come back to the House in relation to the survival of these further and higher education institutions across the country, which may be affected detrimentally in the months ahead by the final incremental payments of fees, leaving them with a considerable shortage of funds? Can she also find out whether the Secretary of State will discuss with the Office for Students the way in which it approaches this as a supportive mechanism, not as a critic?

Baroness Berridge: My Lords, I understand that matters to do with education are being addressed. The issue of early years providers and further education colleges—they are similarly funded, by the activity through the door—is keenly on the department's radar at the moment.

Lord Blunkett: My apologies—I should have declared an interest.

Baroness Hooper (Con): My Lords, ed tech and the new systems and opportunities provided by distance learning, without the need for major infrastructure projects, are obviously an important way forward. In addition to the advantages that my noble friend the Minister has already outlined, would she not say that ed tech gave a valuable opportunity for international co-operation between institutions in other countries? I declare an interest as the honorary president of BESA, the British Educational Suppliers Association.

Baroness Berridge: Ed tech is literally just beginning to show us what is possible in relation to education—in international collaboration, yes, but particularly in flexible and distance learning, which can help students from disadvantaged backgrounds to access education further away from home, if they have caring responsibilities, and particularly in relation to special educational needs. We are having a rapid evidence assessment, because teachers need to understand fully the technology now available to best apply it to the students they are trying to teach.

Baroness Blackstone (Ind Lab): My Lords, transport costs are often a barrier to students living some distance away, especially from FE colleges. It was gratifying to hear that some consideration is being given to support students with transport costs. Can the Minister say a little more about that, particularly in relation to students over the age of 19, and whether part-time students will be included in any support planned?

Baroness Berridge: Yes, what I have outlined covers both bus and rail, but the noble Baroness will be aware that the bursary funding given to institutions can also be given to disadvantaged students. I will have to come back to her about the part-time comment.

Operation Midland Question

3.29 pm

Asked by **Lord Lexden**

To ask Her Majesty's Government what assessment they have made of the report by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, published on 13 March, which concluded that the Metropolitan Police Service has made slow progress in learning the lessons that arose from Operation Midland.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, the HMICFRS report commissioned by the Home Secretary is an important step in ensuring that lessons are being learned from the failures of Operation Midland. She recognises the critical importance of public confidence on this. Both HMICFRS and the IOPC recognise that the Metropolitan Police Service has responded positively since the publication of the Operation Kentia report in October 2019. The Home Secretary will continue to seek assurance from the Metropolitan Police Service that it is acting on the inspectorate's findings.

Lord Lexden (Con): My Lords, first, I pay tribute to the Home Secretary for ordering this very important review. But how can it have been that two Metropolitan Police Commissioners were asleep on their watch, largely unconcerned, it seems, by the misdeeds and malpractices of officers during Operation Midland and, presumably, content that lessons that ought to have been learned swiftly were ignored for so long? Can my noble friend give the House three or four specific examples of the lessons that have now been apparently and belatedly learned? Finally, I return to one aspect of these police scandals that concerns me particularly as a political historian. Will the Government now stop blocking an independent inquiry into Operation Conifer, which left an unwarranted slur on the historical reputation of Sir Edward Heath? I put it to the Government that they have not given the House reasons for vetoing the inquiry but the opinions of a number of recent Home Secretaries, none of whom is a lawyer.

Baroness Williams of Trafford: My Lords, there is quite a lot in my noble friend's follow-up question. I join him in paying tribute to my right honourable friend the Home Secretary, who took very swift action in dealing with this. It is regrettable that there was no plan in place to deliver sustained improvements after

Sir Richard's review. Both HMICFRS and the IOPC have now found that the MPS has delivered significant improvements but, with respect to keeping track of those improvements, the Home Secretary will continue to seek assurances from the MPS that those improvements are being embedded across the force. On whether we will launch an inquiry into Operation Conifer, Operation Conifer and Operation Midland were quite different investigations. Operation Conifer has been subject to significant scrutiny. As Wiltshire Police has made clear, Operation Conifer did not pursue further inquiries into Carl Beech's allegations after deciding that there was undermining evidence.

Lord Kennedy of Southwark (Lab Co-op): My Lords, I see the point made by the noble Lord, Lord Lexden, about Operation Conifer. In respect of all the allegations of historical sexual abuse, can the Minister tell the House how many convictions there have been to date?

Baroness Williams of Trafford: I am glad that the noble Lord raises this because we need to see this in the broader context of historical abuse against children, of which there have been 11,346 non-recent allegations; that is a significant number. In total, 4,024 convictions have resulted from this. It has most definitely been something worth pursuing.

Lord Robathan (Con): My Lords, following the shocking episode of the police being misguided—shall we say?—in their actions, does Her Majesty's Government have any position on those who used hysteria in the media or online, or indeed used parliamentary privilege, to destroy the reputations of decent public servants alive and dead who are unable to defend themselves?

Baroness Williams of Trafford: My Lords, I think it is important to say, as we have said before, that false accusations devastate the lives of those against whom they are meted out, but let us also look at some of the remedies. Carl Beech was sentenced to 18 years in prison. That does not take away from the devastation that has been caused by false allegations, but I go back to the point that there have been thousands upon thousands of non-recent allegations of child sexual abuse, many thousands of the perpetrators of which have now been convicted.

Lord Addington (LD): My Lords, would it not be a good idea for us to take on some better practice here? I pray in aid my noble friend Lord Paddick's Private Member's Bill, which suggests we ensure that somebody's name is released not when the arrest is made but when a charge is made. Making sure that this happens will get rid of some of the bad practice that gets in the way of the rightful convictions of people who have done the wrong thing.

Baroness Williams of Trafford: My Lords, there is generally a presumption of anonymity but there may be policing reasons why, in the course of an investigation, police may release names. Quite often, it is the media that releases those names. There has been updated guidance for the media and the police on this.

Lord Lea of Crondall (Non-Aff): My Lords, does the Minister believe that there is enough information in the public sphere about how such inquiries are

supposed to be carried out? I took a particular interest in the Edward Heath case when I got a note through my letterbox in Crondall asking me to ring a Wiltshire police station. I did and was asked whether I had known Sir Edward Heath through the TUC and whether I had stayed at Chequers and so on. I was struck by how amateurish it all was. It is all very well our thinking about transparency in retrospect, but is enough known in the public arena about how such inquiries are supposed to be carried out?

Baroness Williams of Trafford: My Lords, I think that that is what IICSA has spent the last four years trying to establish.

Non-Domestic Rating (Lists) Bill [HL] *First Reading*

3.36 pm

A Bill to make provision to change the dates on which non-domestic rating lists must be compiled; to change the dates by which proposed lists must be sent to billing authorities, the Secretary of State or the Welsh Ministers; and for connected purposes.

The Bill was introduced by the Earl of Courtown, read a first time and ordered to be printed.

National Minimum Wage (Amendment) (No. 2) Regulations 2020

Electrical Safety Standards in the Private Rented Sector (England) Regulations 2020

Client Money Protection for Property Agents (Approval and Designation of Schemes) (Amendment) Regulations 2020

Motions to Approve

3.37 pm

Moved by The Earl of Courtown

That the draft Regulations laid before the House on 13 January, 3 and 11 February be approved.

Relevant documents: 4th, 6th and 7th Reports from the Secondary Legislation Scrutiny Committee. Considered in Grand Committee on 16 March.

Motions agreed.

Armed Forces Act (Continuation) Order 2020

Motion to Approve

3.37 pm

Moved by The Earl of Courtown:

That the draft Order laid before the House on 3 February be approved. Considered in Grand Committee on 16 March.

The Earl of Courtown (Con): My Lords, in the absence of my noble friend Lady Goldie, I beg to move the Motion standing in her name on the Order Paper.

Motion agreed.

Civil Liability (Information Requirements) and Risk Transformation (Amendment) Regulations 2020

Motion to Approve

3.37 pm

Moved by The Earl of Courtown:

That the draft Regulations laid before the House on 3 February be approved.

Relevant document: 6th Report from the Secondary Legislation Scrutiny Committee. Considered in Grand Committee on 16 March

The Earl of Courtown (Con): My Lords, in the absence of my noble friend Lord Parkinson of Whitley Bay, I beg to move the Motion standing in his name on the Order Paper.

Motion agreed.

Arrangement of Business

Announcement

3.38 pm

The Earl of Courtown (Con): My Lords, there will be a short adjournment between the end of Questions and the start of the debate on the Budget to allow Members to maintain social distancing if they are taking part in that debate but do not want to be present for Oral Questions. I beg to move that the House do now adjourn during pleasure for 10 minutes.

3.38 pm

Sitting suspended.

Budget Statement

Motion to Take Note

3.48 pm

Moved by Lord Agnew of Oulton

That this House takes note of the economy in the light of the Budget statement.

The Minister of State, Cabinet Office and the Treasury (Lord Agnew of Oulton) (Con): My Lords, last Wednesday, the Chancellor laid down a Budget that backed business and innovation and gave support to public services with the aim of levelling up the entire country. But in the course of a week, the world has changed. Many of the things that I will say will appear out of date, but we need to see beyond the hopefully short-term impact of this pandemic.

To start with coronavirus, the Budget set out the initial economic response, but this has quite rightly been overshadowed by a far more substantial package announced over the last few days. The initial plan included a £30 billion plan: to support the NHS needs in staff and the search for medicines; to support workers, with expanded guarantees for statutory sick pay; and to support businesses with a comprehensive and coherent package of tax reliefs and loans.

But with the worsening situation, the Chancellor has responded with further urgent action. He has expanded the amount that businesses can borrow from the new temporary coronavirus business interruption loan scheme from £1.2 million to £5 million. For those businesses affected most by essential distancing measures in the retail, hospitality and leisure sector, including shops, cinemas, restaurants, music venues, museums, art galleries, and theatres, the Government will, for this coming year, abolish their business rates altogether.

Alongside this, the Government are increasing grants to small businesses eligible for small business rate relief from £3,000 to £10,000. To cope with cash-flow problems, the Chancellor has announced a programme of loans and guarantees to support firms through the economic emergency. In total, he will make available an initial £330 billion of guarantees, equivalent to 15% of the UK's GDP. These are extraordinary times and the Chancellor has responded at a scale to reflect this. The plan recognises that coronavirus will have a significant impact on our economy. This is a serious and sensible effort to make sure that the impact will be temporary.

This brings me to the growth forecasts. I recognise that the OBR's calculations were completed before the full extent of the impact of coronavirus became as clear as it is now. But, even before coronavirus hit, we were facing a slowing world economy. When combined with the political uncertainty over the last few years, the OBR had trimmed our productivity forecast over the relevant period and slightly reduced forecast GDP growth, compared with the March 2019 forecast. This makes it all the more important that the Government act bravely and take decisions now for our future prosperity. Outside the coronavirus intervention, the Government are investing an additional £175 billion over the next five years in infrastructure and innovation. At the time, the OBR said that these plans could boost growth over the next two years by 0.5 percentage points. It had expected that half a million more people would be in work by 2025 and that wages would grow in real terms in every year of the forecast period. The OBR had forecast 1.4% for this year, increasing to 1.8% next year and then, for the rest of the forecast period, remaining on or around target.

Let me turn to the fiscal forecasts. The impact of coronavirus, and the Government's necessary response, will lead to a significant increase in borrowing. But we are equipped to manage this need. The hard work of the last 10 years has left our public finances in a strong place, with the deficit down from above 10% in 2009-10 to less than 2% last year. While borrowing will increase this year, we expect this spike to be temporary. As the OBR has said, the medium-term impact on borrowing will likely be limited. The Government were elected on a manifesto that promised to maintain fiscal prudence; we are doing everything we can to honour that while also facing down the immediate risks and planning for longer-term prosperity.

The Government's plan for prosperity starts immediately by helping people with the cost of living. Changes to the national living wage, income tax and national insurance mean that someone working full-time on the minimum wage will be more than £5,200 a year

better off than in 2010. The Chancellor also confirmed that, from January next year, there will be no VAT on any women's sanitary products, fuel duty will remain frozen for another year, the planned rise in beer duty will be cancelled, and the Government will freeze duties for cider and wine drinkers as well. For only the second time in almost 20 years, that is every one of our alcohol duties frozen. This Government promised to cut taxes and the cost of living, and we are aiming to deliver on this.

Nothing helps more with the cost of living than putting more money into people's pockets through a thriving private sector. The Chancellor gave his full backing to business with £130 million of new funding to extend start-up loans, £200 million for the British Business Bank to invest in scale-ups, £200 million for life sciences and £5 billion for new export loans for businesses.

This was a Budget that also showed support for business through the tax system. The research and development expenditure credit will be increased from 12% to 13%—a tax cut worth £2,400 on a typical R&D claim. The structures and buildings allowance will be increased from 2% to 3%, giving an extra £100,000 of relief for those investing in a building worth £10 million. To cut taxes on employment, the Government will increase the employment allowance by a third to £4,000. That is a tax cut, this April, for nearly half a million small businesses.

The next part of the Government's plan for prosperity is to invest in ideas, in brilliant scientists and in cutting-edge technologies that will shape the economies of the future. The Budget will increase investment in R&D to £22 billion a year, the fastest and largest increase in R&D spend ever. Detailed allocations of our new investment in ideas will be set out in the spending review, but the Budget gave us a flavour, including over £900 million in nuclear fusion, space and electric vehicles and at least £800 million in a new blue-skies funding agency to conceive the next world-changing technology. There is a further £800 million to establish two or more new carbon capture and storage clusters by 2030. This work will be needed to create the high-skilled, high-wage jobs of the future all around the country. It will also be needed to help us transition to a low-carbon economy with new green technologies.

The Budget has helped us on our journey to net zero by 2050. It will raise the climate change levy on gas, extend the climate change agreements scheme for energy-intensive industries for a further two years and introduce a new plastics packaging tax that will increase the use of recycled plastic in packaging by 40%. We are also abolishing the red diesel relief for all but a few specific sectors.

As well as taxing pollution, the Government will invest in and cut taxes on clean transport with a package of reforms to make it cheaper to buy zero or low-emissions cars, vans, motorbikes and taxis. We are providing £500 million to support the rollout of new rapid charging hubs so that drivers are never more than 30 miles from being able to charge up their car. Taken together, this Budget invests £1 billion in green transport solutions.

We are providing £640 million for a new nature for climate fund to plant around 30,000 hectares of trees—a forest larger than Birmingham—and to restore 35,000 hectares of peatland, all of which helps capture carbon. This Government intend to be the first in history to leave our natural environment in a better state than we found it, while making sure that we have the means to protect ourselves when the natural environment shows its power. The recent floods devastated homes and businesses across the country; the Budget made available £120 million immediately to repair defences damaged in the winter floods and £200 million of funding to local communities to build flood resilience, and we promised to double our investment in flood defences over the next six years to £5.2 billion.

This Government have spoken a great deal about levelling up. Last week's Budget began to make the picture much clearer. Over the next five years, this Government will invest more than £600 billion in our economic infrastructure. Public net investment will, in real terms, be at its highest since 1955. The detail will come out at the spending review, but the Chancellor laid down a few guiding principles.

First, the Government will review the Treasury's Green Book to make sure that economic decision-making reflects the economic geography of the country. Secondly, the Government will invest more in our nations, cities and towns. We are committing an extra £640 million for the Scottish Government, £360 million for the Welsh Government and £210 million for the Northern Ireland Executive. We are providing £242 million of funding for new city and growth deals. In addition, there will be a new devolution deal in West Yorkshire, with a directly elected mayor and a funding settlement of £4.2 billion. The Government are also investing £1.2 billion in local transport in 12 further cities, including Stoke, Preston, Derby, Nottingham and Southampton.

We are investing in broadband, railway and roads. We are committing £5 billion to get gigabit-capable broadband into the hardest-to-reach places. Work is starting on HS2. There is funding for the Manchester to Leeds leg of Northern Powerhouse Rail—the biggest ever investment in strategic roads and railway—and a new £2.5 billion pothole fund.

The Chancellor made it clear that we will boost public services, recognising them as the tools by which the Government can level up and spread opportunity. In education, the Budget provided funding for specialist 16-19 maths schools and £1.5 billion of new capital over five years to dramatically improve the condition of the FE college estate.

In housing, the Government extended the affordable homes programme with a new, multiyear settlement of £12 billion. We have confirmed nearly £650 million of funding to help rough sleepers into permanent accommodation and created a new building safety fund worth £1 billion to make sure that unsafe combustible cladding will be removed from every private and social residential building above 18 metres in height.

In health, we announced over £6 billion of new funding in this Parliament to support the NHS to deliver 50,000 more nurses, 50 million more GP surgery appointments and work to start on 40 new hospitals. We are backing all that up with extra funding for HMRC to clamp

[LORD AGNEW OF OULTON]

down on aggressive tax avoidance, evasion and non-compliance to make sure that we have the funds we need in the future. This all means that, by the end of the Parliament, day-to-day spending on public services will be £100 billion higher in cash terms than it is today.

This is a Budget delivered in difficult times, but one which will help the country meet the challenge of the coronavirus. When this disaster is behind us, it will lay the foundation for a new decade of regeneration

4 pm

Lord Tunnicliffe (Lab): My Lords, I thank the noble Lord for introducing this debate, in particular for his intelligent and pragmatic approach in addressing not only the Budget but the Statement made last night. I assume that he will be responding to questions from noble Lords on last night's Statement as well as the Budget itself. I note that he nods as I say those words.

Our post-Budget debates are often interesting affairs, not least because an extra week or two allows for greater scrutiny of the famous Red Book. I expect that this one will be even more enlightening, even if for the wrong reasons. As the Chancellor acknowledged in his Statement last week, the Spring Budget took place against an unconventional political and economic backdrop. Not only was it delivered by a Chancellor who had not expected his promotion, but it came as the global Covid-19 pandemic required a series of extraordinary actions from the Government.

We have since had a supplementary economic Statement from the Chancellor in which he announced additional measures to assist some of the businesses that will be worst affected in the weeks and months ahead. I want to be clear: to a large extent we support the action being taken. There are areas where we have concerns, but we appreciate the spirit in which Ministers have approached this challenge. Many of my noble friends have been engaged in meetings with their opposite numbers in recent days and have been able to put forward concerns and suggestions, which appear to have been taken seriously.

Before turning to our analysis of the economy, I place on record our thanks to everybody across the UK who is working to minimise the wide-ranging effects of Covid-19. Our NHS workers are once again demonstrating their heroism in the face of unprecedented demand. Public health and other authorities are reacting swiftly and decisively. Many members of the public are supporting friends and neighbours, helping them navigate these most unusual times. We thank them for all their hard work and community spirit.

I am grateful to all noble Lords who are due to participate in this debate and to those who have considered their own circumstances and decided to stay away on this occasion. We may not get to hear their words of wisdom this time, but we look forward to doing so in future.

As I have mentioned the coronavirus, I will raise our concerns about it now. As I have said, we largely support the measures that have been announced, but noble Lords will not be surprised that we have some concerns. This is a fast-moving situation and there will be more to come. Although it is perhaps a little late, we welcome the establishment of new government committees to enable swifter, joined-up responses to new developments.

Nevertheless, as we discussed in yesterday's PNQ on entertainment venues, some recent announcements have caused confusion rather than offering clarity. The issues relating to insurance seem to have been resolved, but in such turbulent times it is vital that the Government are a calming influence, rather than causing further uncertainty. There remains the question of unequal treatment; banks are offering mortgage customers the ability to negotiate payment holidays, but there is a lack of action to ensure that renters are not adversely impacted by temporary cash-flow problems. We have been promised a statement by the Secretary of State for Housing, Communities and Local Government. When will this take place?

We have previously relayed concerns over the current level of statutory sick pay, which we believe introduces a risk that some will have to choose between health and financial hardship. This should concern us all. We have also expressed alarm that some firms have moved swiftly to lay off staff, pushing them towards benefits rather than guaranteeing stronger levels of protection. As the director of the Institute for Fiscal Studies has noted, it will remain expensive for businesses to pay their staff, particularly if demand drops. Therefore, we urgently need targeted government intervention to protect workers.

The crisis will inevitably create incidents of real hardship. We therefore welcome the funding of local hardship funds, but while the headline figure of £500 million sounds significant, it will be spread across hundreds of authorities. Will a top-up be available if required? What of the administrative side? Will costs be reimbursed by central government, or will councils have to deduct them from the funds allocated? We welcome the changes to the benefit system to improve access for those who fall on hard times. However, questions remain over universal credit, particularly regarding the five-week delay; is that being lifted?

As this is a debate on the state of the economy, I want briefly to touch on the overall economic picture. Last week's Budget was delivered on a day when the Office for National Statistics estimated flat GDP growth for the last quarter. Manufacturing figures continue to cause alarm, and growth in services has been inconsistent. As the Resolution Foundation noted, pre-coronavirus, the Office for Budget Responsibility forecast average annual growth of just 1.4% in the coming years. This is even weaker than the sluggish rates we have seen in the post-financial crisis era. The economic hit from weaker growth, even on these incomplete forecasts, is around £300 per household this year, rising to almost £600 per year by the middle of the Parliament. To people up and down the country, this outlook, which must now be seen as a best-case scenario, does not sound like the Government fixing the roof.

Yesterday, the OBR's Robert Chote warned that Britain faces "a wartime situation" and must do more to support households and businesses through the current health crisis, even if this leads to increased borrowing and national debt. Charlie Bean, a former deputy governor of the Bank of England said:

"If you damage the economy, you damage the public finances further down the road."

Whether it is a financial crisis or something such as this, all the evidence shows that big action taken early is better than half-hearted action delayed. Last night's economic Statement provided a step forward, but it is not yet clear whether Ministers have a firm grip on the scale of the challenge our economy faces. If we get one thing from the Minister's response this evening, it is that I very much hope I am proved wrong.

Returning to the spring Budget, I was disappointed that we saw nothing substantive on social care. In his first Downing Street address, the Prime Minister told us that he had a plan that was "oven-ready". It was said that the Government have recently decided to convene cross-party talks on the future of care. It has taken years to get to this stage, and while a level of consensus is clearly needed to address the long-term challenges we face, local authorities and care providers will continue to face an uphill struggle in the meantime. According to the Local Government Association, adult social care faces a funding gap of £810 million in 2021, rising to £3.9 billion in 2024-25. That gap accounts only for core pressures. When factoring in unmet and under-met needs, and workforce challenges, the cost will be much higher.

Speaking of local authorities, I note that other than one-off schemes relating to the virus, and the commitments to reviewing business rates, there is little to offer long-term reassurance on the provision of local services. Indeed, the LGA expressed disappointment that next year's public health budget was not confirmed, despite the new financial year being just weeks away. This was addressed yesterday, but the cause of the delay is not clear.

While there have been real-terms increases for the year ahead, these do not compensate for funds being reduced by £700 million over the past five years. After the cancellation of the last comprehensive spending review, the Chancellor has finally launched a new exercise. I hope that it addresses the fact that England's councils face an overall funding gap of almost £6.5 billion by 2025, which is only to meet demand and inflation pressures. Improving local services will require significantly more. I hope that it will also enable the Government finally to get to grips with the many big challenges that our country faces. After calling and winning an election, more was expected from the Prime Minister and his Chancellor. We have heard that the Government want to tackle low pay by increasing the national living wage, yet workers will have to wait five years for a modest increase, and only if the economic conditions allow for it. Even then, the basic wage will remain far below the level suggested by the Living Wage Foundation.

We are told that the Government want to tackle rough sleeping, which has increased exponentially since 2010, but did homeless services receive the £1 billion they needed to reverse previous cuts? No, they did not. Neither did Ministers commit enough money to tackling domestic violence. The £10 million provided for

"innovative new approaches to preventing domestic abuse"

would need to be multiplied more than 15 times to meet the needs of refugees.

Ministers say that the UK has the most ambitious climate-change agenda in the world. However, this Budget barely mentions the climate crisis. The IFS said that in terms of reaching net zero

"the decisions made in this Budget don't provide great confidence that the government is willing to grasp the nettle."

This is particularly disappointing since the UK is to host the COP 26 conference.

While I reiterate our general support for the actions relating to Covid-19, I express our disappointment that this Budget represents another missed opportunity. We hope that the negative consequences of a decade of austerity will finally begin to be addressed when we see the outcome of the spending review. We desperately need progress on social care, more funds for councils and steps forward on a variety of societal issues. However, on current form, and given the challenges facing the UK and global economies, there is little cause for optimism.

4.12 pm

Lord Oates (LD): My Lords, Harold Wilson advised us that a week is a long time in politics. Never has that adage proved truer than in the seven days between the Budget and this debate. Today we face not only a public health crisis, but also a national and international economic emergency without parallel, something which I am afraid did not seem to be fully recognised in the speech from the Government Front Bench.

Having said that, we on these Benches welcome the proposals made by the Chancellor yesterday and pay tribute to the dedication of civil servants across Whitehall as they seek to protect the health and economic well-being of the nation. The Government will have our support as they tackle the crisis ahead. This is a time to come together. It is what the public will expect, and it is what we should all deliver. I hope that the Government respond to our questions and constructive suggestions in that spirit.

We need to address the immense challenges that we face through a number of different lenses. The first is around people, the second around supply chains and the third around demand. First and most important is people. As we speak, millions of people are facing the future with deep anxiety, because of not only the threat to their health, but also the threat to their livelihood. The Government's announcement of mortgage holidays and government-backed loans, rate relief and grants to support business is welcome, but we must go much further in the coming days. We must address the concerns of those who are not owner-occupiers but in the rented sector, and, as the director-general of the CBI, Caroline Fairbairn, said today, our top priority must be to keep employees in work. It is critical to those individuals and to their ability to pay their bills and look after their families, but it is also essential to the economy. People are being laid off now and people's businesses are going bust.

For many businesses, taking out a loan to meet the wage bill is not an option. Many small businesses operate on wafer-thin margins, and it makes no sense for them to rack up debt at a time when demand for their services has collapsed, or in many cases, where they are no longer able to provide them at all. Speed is

[LORD OATES]
of the essence. Cash flow over the next week or two will be critical. Businesses do not have the luxury to wait for loan or grant applications to be processed; they need help now.

As I understand it, the grants of £10,000 for small businesses are available only to companies that pay rates directly. Many businesses do not. Will the Minister clarify that, because it is cause for concern for a number of people?

I ask the Government to look also at how they can direct money to support payroll immediately and directly. Can they look at ideas to reverse the NIC system to support employment, and at whether we can pay directly through PAYE? We must know how much everybody is paid, and perhaps the Government can come up with a scheme where we pay a percentage of the wage bill, so that businesses can keep people in employment at this time.

There is no perfect solution to this, but we cannot afford to let perfection be the enemy of the good. Speed is of the essence and we will have to learn along the way, because if we are not able to provide urgent support to keep people in employment, we will rapidly face much bigger problems across our economy, including in our supply lines.

This morning, on the “Today” programme, I heard the CEO of Swissport, Jason Holt, speaking about his concerns for his business. Swissport handles 90% of all air passengers and air freight and employs 25,000 workers. It is facing economic catastrophe. If it is not able to pay its workforce and remain in business, we will in turn face major problems in our supply chain, including for vitally needed medical equipment and computer equipment. The Government need to look urgently at how they can support these businesses, which are absolutely critical to the economy.

We also need to relieve unnecessary burdens on business. Business groups have told me that they are receiving similar asks from across government departments, and sometimes from within departments. The Government have to establish a co-ordinated approach to minimise the energy being expended by businesses responding to them. All consultations on regulations, unless absolutely essential at this moment, should be put on pause while we deal with the crisis.

This crisis is making us all increasingly reliant on our digital infrastructure, not all of which is designated as critical national infrastructure, and much of which is underpinned by small businesses. Representing 850 large and small companies employing over 700,000 people, techUK has highlighted the fact that maintaining this infrastructure is not just about hardware but about people. Urgent thought needs to go into how we handle these critical workforces. A government-led testing and management regime needs to be put in place to ensure that we can maintain systems operationally. We cannot just rely on individual engineers to determine whether they are sick or not. Such a workforce testing regime is obviously also critical for our NHS workforce, who must be an absolute priority.

Finally, I turn briefly to demand. We face a paradoxical situation, where our economy is facing overall collapse in demand, while at the same time suffering an excess of demand in specific areas. As we have seen, panic

buying begets panic buying. The anxiety of seeing empty shelves converts even sensible people to conclude that they need to grab stuff when they can. The Government need to get ahead of this. It is illegal for retailers to co-ordinate with regard to their response to rationing and goods to customers, so the Government should step in and provide clear guidance and, if necessary, take enforcement powers to ensure that people get what they need and do not take what others require.

This is a huge area, but time does not afford us to cover it all. I fear that the impact of Covid-19 will be rather more profound and long-lasting than the Minister seems to envisage. He is right, of course, that we must continue to look beyond the current crisis, in particular to how we can build a net-zero economy for the future. But as we look to build that economy of the future, I think it is likely to be a very different economy than the one that we envisaged just a week ago.

4.20 pm

The Archbishop of Canterbury: My Lords, a Budget is social morality in numbers. Whatever we say we believe about the dignity of human beings and about the existence or otherwise of society, the reality of our belief is demonstrated by the way we act, and especially by the way we act with money. The crisis through which we are passing will change this nation in deep and unpredictable ways, as the noble Lord, Lord Oates, has just said. Like a nuclear explosion, the initial impact is colossal, but the fallout lasts for years and will shape us in ways we cannot even begin to predict at the moment.

The Budget and the extra package announced yesterday must be both adequate in amount and sufficient in their aims to ensure that this country emerges confident from overcoming the virus—positively better than before it began. We will overcome the virus. The noble Lord, Lord Tunnicliffe, commented that small groups all over the country are showing fresh signs of community spirit and collaboration, and it is from those small groups, through to the large-scale government measures, that things will change.

During a crisis, keeping the long-term direction is as important as tackling the short-term problem. The enormous package of short-term measures is, by its very size, sufficient to raise hope, and for that it is welcome. Fifteen per cent of GDP is a war Budget commitment. The obvious questions, which have already been raised, are: how will it be distributed and how will it be used effectively? If we are to put confidence as the aim and people at the centre, the distribution and the impact must be both swift enough and imaginative enough to maintain confidence right across the economy, not only in the big cities with their own self-sustaining economies, but in the myriad towns and smaller communities across the country.

For many of them, there has been decline for many years, particularly, as we all know, those on the coast and in remote areas. Covid-19 may well be the last straw for some. Even exceptionally beautiful and normally tourist-filled cities, such as Canterbury, with good pedestrianised city centres full of bars and restaurants, and with major chains and everything in between based there, have seen this decline. In the past 12 months in

Canterbury, Debenhams has closed and the number of vacant stores is noticeably larger. This could be repeated across the country. Shutting down the hospitality industry, necessary though it is, will empty the city centre. The cathedral, in which I should probably declare an interest, with its 300 employees, is one of the largest private sector employers in east Kent. It has apprentices, people with unusual skills and many other workers, but it depends from week to week and month to month on the income from tourism. Its solvency protects much of the local economy. Its 2 million visitors a year are at the beating heart of what makes the east Kent economy work. The same could be said about so many other places, from Durham south. A local economy is people, and an ecosystem as well. It is a complex structure, and losing one bit leads to overall decline. The package that has been announced and the Budget must be used with the vision of preserving the most fragile parts of the system, or we will lose all.

The use of these sums, so enormous and unprecedented, must be seen as being based in a clear moral and ethical structure, aimed at enabling those excluded by lack of adequate training and skills, the misfortune of being in declining industries, social change or other reasons to renew aspiration and to have jobs and secure homes in mutually supportive communities. We see the importance of community at this time.

It has been said that we should be especially concerned about the five-week gap in the payment of universal credit. That remains a significant problem in many areas. Thanks to the hoarding and panic buying that has been going on, food banks are desperately short of supplies for those who need them. They do not need money; they need the physical goods to give out, but they are not available. They are most needed when people move on to universal credit; 45% or so of those who come to food banks come because of problems with credit.

Free school meals have hardly been touched on. We will hear a Statement later today which may speak, as in Wales, of the closure of schools. For many children in the most deprived areas, school is where they get not just education but food. That needs to be addressed. What possibilities can the Government offer to enable free school meals, for instance, to continue during the gap? There has been talk about the need for provision for those who are self-employed and of statutory sick pay; I shall not repeat it.

To be moral and ethical, there has to be a vision on a scale with the spending, a vision that recovers “us” and “we” from the era of “I” and “me”—in short, a vision to recreate the notion and reality of society. That vision requires the mobilisation of not only the economy but of partnerships across society. In the Church of England, with 1 million children in schools, we are already planning and thinking about what education should look like to give abundant life. The phrase “abundant life” comes from the words of Christ. It marks the deeply embedded Christian tradition in our society to do with human flourishing, but human beings are responsible for making it happen. We are going to see huge change. It can be towards what we choose, or it will be what the strong make it.

4.28 pm

Lord O’Neill of Gatley (CB): My Lords, I welcomed the broad spirit and nature of the Chancellor’s Budget, much of which was, of course, designed before the realities of Covid-19. It was focused on a policy to significantly boost investment spending, so-called levelling up and giving proper attention to the northern powerhouse, all of which I hugely welcome. However, there have been events. The rest of my speech will be a brief, adapted form of an article I posted on Monday on the website of Chatham House, which I currently chair.

Linked to the call that Robin Niblett and Creon Butler of Chatham House and I made the day before—Sunday—for a global response to the Covid-19 pandemic, the case for a specific dramatic economic policy gesture from many policymakers across the world is prescient. This should involve most, if not all, G20 nations and should certainly have the same force as that led by Gordon Brown in 2008. We need some sort of income support for all our citizens, whether employees or employers, for the next two months. Perhaps one might call it, as I have done, truly a people’s QE—quantitative easing.

Both so-called modern monetary theory, MMT, and universal basic income, UBI, essentially owe their roots to the judgment that conventional economic policies have not been working, especially since 2008, in the way we are all trained to believe. At the core of these views is the notion of giving money to people, especially those on lower incomes, directly paid for by our central banks printing money. Until recently, I found myself having many doubts about, or not much sympathy with, these views, but, as a result of Covid-19, I have changed my mind.

This crisis is extraordinary in so far as it is both a colossal demand shock and perhaps an even bigger colossal supply shock. The crisis epicentre has apparently shifted from China, and perhaps much of the rest of Asia, to Europe and the United States. We cannot expect policies, however unconventional by pre-2008 standards, including the dramatic monetary steps announced by the Federal Reserve Board and other central banks, to put a floor under this crisis. We are consciously asking our people to stop going out, stop travelling and not go to their offices—in essence, curtailing most forms of normal economic life. The only ones not impacted are those who spend their entirety in cyberspace but even they have to buy some form of consumer goods, such as food, and, even if they order online, someone has to deliver it.

To give a flavour of the kind of challenge that we are now in, data published at the weekend shows that on most measures the Chinese economy probably fell by about 20% year on year in February alone. That equates to taking off something close to \$3 trillion worth of GDP in a month. We in the UK, and much of the rest of the Western world, are adopting or have adopted some version of that same policy in March. It would be not at all surprising if we did not do something bolder, and the economic consequences will not be so far different from those in China.

As a result, markets are correctly worrying about a complete collapse of economic activity and with it a collapse of companies, not just their earnings. In my

[LORD O'NEILL OF GATLEY]

view, an expansion of central banks' balance sheets in the way that has been done since 2008 is not going to do anything to help to arrest this, especially unless we go beyond just trying to underline the security of our banks, although that is still important. What is needed in the current circumstances are steps to make us believe with high confidence that if we take the advice of our medical experts, especially if we self-isolate and deliberately restrict our incomes or have them deliberately restricted for us, then this will be made good by our Governments. As I have said, in essence we need smart, persuasive people's QE and quickly.

Having discussed this idea with a couple of economic experts I know, I realise that there are of course some challenges in the implementation of such an idea. For example, I gather that in the US it is probably currently illegal for the Federal Reserve Board to directly transfer cash to individuals or companies, and that could be true here and elsewhere. In my view, though, that is easily surmounted by our fiscal authorities by issuing a special bond, the proceeds of which could be transferred in the manner that I have suggested to both individuals and business owners, and our central banks could easily finance such bonds. It is also the case that such a step may encourage both the perception and the actuality of central bank independence, but I now find myself among those who argue that central banks can operate such independence only if done wisely and when needed.

Others may argue, in the spirit of the equality debate, that any income support should be targeted primarily if not entirely at those on very low incomes, while higher earners or large businesses should be given none or very little. I can sympathise with such spirits, but in my view that ignores the centrality and scale of this particular economic shock. All our cafes, pubs, restaurants, airlines—where do you stop?—indeed, all our businesses are currently at accelerating genuine risk of not being able to survive, and of course all these organisations are enormous employers of people on any kind of income.

As I have tried to say, it is also the case that time is of the essence. We need our policymakers to act on something like this as soon as possible—ideally in the next 24 hours—otherwise many of the transmission mechanisms that we have become accustomed to for the whole of our lives are going to be challenged. We need some kind of smart people's QE now.

Lord Davies of Stamford (Lab): Is it not the case that what is really alarming here is that the collapse of consumer demand is likely to last for a very long time and that there is going to be a substantial negative-wealth effect, given that people will have been out of jobs while their businesses and indeed the stock market has collapsed? People will require years to build up their savings again to where they were before. That means that for a very long time there is going to be a substantial shortage of demand from the consumer sector.

Lord O'Neill of Gatley: My Lords, my frank answer is that I do not know, but the longer that we delay an imaginative and forceful response, the risk of what the noble Lord has just described will rise. The whole reason why I am suggesting such a very unconventional and dramatic policy approach now is to stop exactly the kind of things that he is suggesting. If we give all

our people confidence that they can essentially have something close to an eight-week paid holiday, and there is no reason for any employer to lay any of them off permanently or for those employers to worry about their income, that should give the confidence for us to allow what has been done so well in Asia to be fully done here, and get this virus behind us.

4.36 pm

Lord Lamont of Lerwick (Con): My Lords, it is a pleasure to follow the noble Lord, Lord O'Neill, and I intend to agree with much of what he said.

As the noble Lord, Lord Oates, said in his excellent speech, the Budget on 11 March now seems an eternity away. It was a challenge for anyone to deliver a Budget in those circumstances, but to do it when you have only been in office for a very few weeks was very challenging indeed. I strongly commend the boldness of the Chancellor's measures.

To many people, the world economy must resemble a slow-motion apocalypse. As the noble Lord, Lord O'Neill, said, we have simultaneously both a supply and a demand shock. This was originally a health crisis, but the measures that Governments worldwide are forced to take to combat it add to the economic problems and to the crisis. The Chancellor of the Exchequer said that we will get through this. Of course we will, but there could be long-term damage to the world economy. In the last quarter of last year, the world economy was already teetering on the verge of recession; figures for Germany, Italy, Japan, China and the UK indicate that. A longer-term consequence might be a degree of de-globalisation, which I would regret. There are products that might have been launched that may never be. As a result of the measures yesterday, there will be loans to be repaid, which will be a big burden on the corporate sector, which in many countries in the world was already highly leveraged.

The world is not necessarily going to go back to exactly where it was before. People talk about a V-shaped recovery but it could be a U-shaped one or indeed L-shaped. People's behaviour is going to change from what it was before. It may be that younger people will go back to how they behaved before but older people will behave differently.

The Chancellor was quite right to take advantage of low interest rates to invest in infrastructure, and for the package generally. The UK can now borrow for 30 years at less than 1%, so in real terms lenders are actually paying the borrowers for the privilege of lending. Of course people are sometimes inclined to argue that that is not without risk—for example, if we move into a period of deflation.

Since the Budget, markets have collapsed further, confidence has fallen further and businesses have begun to realise that the isolation of customers has huge consequences for them. The combined efforts of the Federal Reserve, the ECB and the Bank of England have had little effect. This is not surprising. A rate cut cannot stop the spread of a virus. This is not the sort of crisis that monetary policy can do a huge amount to ameliorate; it requires a fiscal response. It was therefore right that the Chancellor deployed his big bazooka with £350 billion-worth of guarantees, a business rates holiday and the business interruption scheme. Confidence

is not going to return quickly—indeed, it probably will not return until progress is made in combating the virus—but the measures will be a bridge to that confidence.

I have two concerns about the Chancellor's package so far. The first is what has been referred to by a number of noble Lords—the package as it refers to the self-employed and the gig economy. Self-employed people make up 15% of the labour force. I appreciate the measures on statutory sick pay that have been announced, but I question whether they really are going to be enough. We do not want people to have to choose between continuing to work when they are sick or staying at home with no money; we do not want sick people to be forced to work. Moreover, I am not convinced that universal credit or the employment support allowance will be wholly effective in the ways they need to be now, as we speak. We need to find a mechanism—although I appreciate that that is extremely difficult—to get money to those people who do not have any savings in reserve. If we cannot find such a mechanism, as the noble Lord, Lord O'Neill, suggested, it will be necessary to send a cheque or to do what President Trump seems to be thinking of doing: resorting to helicopter money. I too have had misgivings about this in the past, but I am convinced that it now needs to be considered.

My second concern is that the business take-up of loans will not go through to employees—that employers will not necessarily pay their workers. I do not mean to cast aspersions on employers, because of course most of them are concerned about their workers, their business and their other stakeholders. But they will be worried about the burden of the debt, and above all they will be concerned about whether their business will survive. Could we consider for the future perhaps making the loans conditional on guarantees about employment in individual firms? Can we take further action which the Chancellor has said there will be on employment support by making loans of this sort conditional?

I commend the Chancellor's measures. They have been described as unprecedented in modern times and they may be unprecedented in the whole history of this country. The Government have not had much time to prepare for this emergency and we cannot expect to solve all these problems in just one day. Will more be required? Almost certainly, yes. The Chancellor has said that he is open-minded and prepared to do whatever it takes. That is the right approach and it is very welcome.

4.44 pm

The Lord Bishop of Rochester: My Lords, as many have already observed, this Budget comes in extraordinarily unusual circumstances, and in relation to the issues around Covid-19, subsequent to the Budget announcement, the Chancellor has brought forward a number of measures which have been largely well received, and no doubt others will need to follow. While voluntary action in our communities will form much of the day-to-day response to those who are the most vulnerable and potentially isolated across our nation, the sustaining of public services and of businesses is vital for both our social and economic well-being; other speakers have already begun to address some of those issues.

Following the most reverend Primate the Archbishop of Canterbury is always a risky business, and other noble Lords have already spoken with considerable knowledge of these matters, so I shall focus my remarks on one or two specific issues and areas which were already matters of concern, and where that concern is perhaps greater because of the circumstances in which we now find ourselves.

On children and young people, I hugely welcome the long-overdue extension of higher-rate housing benefit for care leavers until the age of 25, thus giving stability in their accommodation beyond their 22nd birthday. This is something that the Church of England organisation the Children's Society and other charities have campaigned for over some time, and it is most welcome. Also welcome is the £2.5 million for research on family hubs. However, what is not in the provisions of the Budget or subsequent provisions is sufficient funding to address the urgent need for every child to achieve a good start in life, and that is becoming more urgent in the light of the current circumstances.

The Resolution Foundation has calculated that child poverty will continue to rise, with the equivalent of an extra 1 million children living in poverty by 2023-24, while the child poverty rate in working households, which averaged 20% over the seven years between 2006-07 and 2013-14, is projected to rise to 29% by 2023-24. A simple start could have been made by removing the two-child limit, about which the right reverend Prelate the Bishop of Durham and others have spoken in your Lordships' House. That is not only a social good, it is an economic one because it is about the financial capacity of those families who are among the most vulnerable in our society. Points have also been made about the issues around consumer demand and so forth, which plays into that agenda.

I turn now to social care more widely. As has been mentioned, we await the details about the full and ambitious plan for addressing the social care crisis which the Prime Minister promised from the steps of Downing Street. The £1 billion promised in last year's spending review is welcome but, not least in the new circumstances, it does not come close to what is needed. For example, families are still realising assets in order to pay the care costs of an elderly relative. While I am personally happy that my own mother can be supported in care from the proceeds of the sale of her house, others are less able to do that and there is an overall negative effect on the economy from that approach when, for example, working families are eating into their own resources to support an elderly relative. The knock-on effects of that on future generations are very considerable. A sensible long-term plan, including financial provision, is essential and overdue. I know that that is a huge ask, but as a society we need it.

On a couple of specific matters, the £5 million which has been provided to support the creation of a centre of excellence for tackling youth violence is welcome, as is further funding for substance misuse services and the £10 million for innovative approaches to preventing domestic abuse. However, these are tiny amounts when set alongside such things as the effects of the cuts in local authority funding which have, for example, decimated youth services over recent decades. Further, there is a continuing postcode lottery for the

[THE LORD BISHOP OF ROCHESTER]

victims of domestic violence who are seeking a place of refuge, not least somewhere where they can live with their children in security.

Some of us may privately welcome the freeze on alcohol duty, not least in my case when Lent comes to an end, but is there not something slightly perverse about committing extra funding to substance misuse programmes, including those related to alcohol abuse, while at the same time putting a freeze on the duty? My own hope is that perhaps there will be some instructive learning at a later point from the Scottish minimum unit pricing strategy and that it can be addressed at a later stage.

Noble Lords have already drawn attention to green issues. No doubt, given those who are due to speak later in the debate, other speakers will do so as well. There are some good things in the Budget around research and development into green energy, and the measures related to flooding and coastal defences, but I suspect that we need to be rather bolder in these matters when it comes to the longer term. The Government have set an ambition to achieve net-zero carbon emissions by 2050. I am both pleased and slightly surprised that the Church of England's General Synod, which is not normally regarded as an ambitious and radical body, has voted to go for 2030 rather than 2050. But whether it is 2030 or 2050, what is needed is bold action. That requires investment, and there is a price tag attached to it.

I have a hope that the spending review later this year will give the Chancellor an opportunity to consider some of these issues further, not least in the light of the fuller picture of what Covid-19 means for our economy, which will be clearer by then. But the issues in our society which I have highlighted are not going to go away, and I hope that the current challenges, important as they are, will not totally divert our attention from them. Meanwhile, we must all have a particular care for those in our midst who are the most vulnerable and support all efforts to make sure that they and those who are working for their well-being, whether as public servants or volunteers, have all they need to address the current situation.

4.50 pm

Lord Hain (Lab): My Lords, I agree with what the noble Lords, Lord O'Neill and Lord Lamont, said, but by spending an extra £350 billion to deal with the dire consequences of the coronavirus and promising even more, Britain's new Chancellor has blown a hole in all the dogma of the last 10 years of Tory austerity. Boris Johnson has been hailing the recent Budget as a cheerleader for the common citizen, targeted on left-behind towns in the Midlands and the north and making a clean break with the Cameron-May years of harsh austerity. But in reality, the Budget fell well short of the great Tory turnaround that his fan club believed it to be.

First, the Budget failed to undo 90%—I stress, 90%—of the damage done nationwide by an unnecessary decade during which George Osborne and Philip Hammond squeezed over £150 billion of spending power out of the economy. On top of the measly £12 billion of measures announced last week to deal with the coronavirus

emergency, this Budget gave the economy only an £18 billion boost over two years, with the brakes coming on again in 2022. As singer Melanie Safka told her Woodstock audience in 1969, they are

“only putting in a little
To get rid of a lot that is wrong.”

Secondly, the big increases in public sector capital spending that the Chancellor announced caused many people to miss what is happening to the current public spending that pays for our public services. George Osborne's first Budget in 2010 set the pattern for the next 10 years. He cut Labour's public investment capital plans by £10 billion over five years but he cut Labour's plans for current spending by over £80 billion. That is why 20,000 police jobs disappeared, the NHS in England is 40,000 nurses short today, and today's social care budget is £12 billion lower than is needed to bring service standards back up to their 2010 levels. The numbers of elderly people needing care have rocketed in the meantime as the Conservatives have created a countrywide calamity of social care misery for the elderly. The Institute for Fiscal Studies reckons that outside of health, day-to-day spending on other public services is now only three-quarters of what it was under Labour in 2007, and that current spending per person for most public services will still be well below the 2010 levels in 2024.

Thirdly, George Osborne chose an 80%/20% split between public spending cuts and tax rises, meaning that Tory austerity fell overwhelmingly on our most vulnerable citizens and on vital social infrastructure. The new Chancellor led a “Getting it done” chorus, blithely ignoring the fact that growth, which had been slowing in each of the past five years, had come to a complete halt in the final quarter of 2019. It did the same in January of this year; UK GDP did not grow at all for four months. That is why the IFS describes the forecast growth rates for the British economy for the next five years as feeble, why it denies that the UK is in a robust position to cope with shocks such as the coronavirus catastrophe, and why it says that a failure to agree an orderly move to a free trade agreement with the European Union would badly weaken an already weak economy.

The Budget speech, cheered by the Tory Hooray Henrys, included a long-overdue and desperately needed increase in public investment, which they have spent the past 10 years resisting; an expanding budget deficit, which they spent a decade promising to cut; a national debt today that is double what it was before the global financial crisis—80% of GDP in 2020 under the Tories, against 36% in 2007 under Labour—and some crumbs of comfort for the neediest, to whom they have shown only a cold shoulder and frozen or cut benefits for years.

Bailing out Britain's banks to avert financial collapse and ruin after the global credit crunch cost UK taxpayers cash outlays which alone peaked at £133 billion, according to a June 2013 parliamentary banking report. Allowing for cash outlays, government guarantees and Bank of England support, the potential cost to UK taxpayers of saving Britain's banks had reached £1,162 billion by July 2012, or 10 times the annual cost of the NHS, according to the National Audit Office.

In 2008, the Government had to act within hours to save the economy from a collapsing banking system. In 2020, the Government had to act within days to

save the economy from the virus crisis. The small group of cheerleaders on the Benches behind the Prime Minister have been forced to concede that urgent action to stave off disaster demands big decisions that only government can take, because only the state can provide the resources required in a national emergency like this.

Yesterday, the Chancellor was right to reject 10 years of Osborne austerity and to throw the power of the state at the gravest crisis we have faced in 80 years. It has been an unexpected learning experience for him and his party, and 10 years overdue. But if the sudden extra £350 billion to beat the coronavirus pandemic can be produced like a rabbit out of a hat in the last few days of government panic, the question is why appropriate extra public spending was not found from the very start of Conservative rule in 2010 to deal with the aftermath of the financial crisis, instead of plunging the country into 10 years of savage cuts—driven by neoliberal dogma and not necessity—which have gravely damaged the country's capacity, including to fight this terrifying pandemic.

4.57 pm

Lord Razzall (LD): My Lords, while thanking the Minister for introducing this important debate, I share the concern of my noble friend Lord Oates that the noble Lord seems to have delivered a speech that he would have delivered last Wednesday, without realising that the economy has moved on since then. As he has raised the issue of the Budget, I will touch for a moment on the criticisms that we have from these Benches. Clearly, the Chancellor had an extremely difficult hand, as growth rates have been revised down very significantly; we would say quite often that that was as a result of Brexit. Although that might be disputed, that was so even before the effects of the virus. I will make three brief criticisms before moving on to the wider issues.

First, there was no real mention of adult social care, which is one of the real issues facing the country. I would be grateful if the Minister could indicate, when he replies, what the Government are going to do about that. Secondly, as my noble friend Lord Oates indicated and as was said on the Labour Benches, there were rather disappointing statements about climate change. Personally, I think it was a great mistake not to take advantage of the significant drop in oil prices to remove the cap on fuel duty, which would be much less noticed by the consumer. Thirdly, the issue of shifting resources to the north seems to have been rather understated. As David Aaronovitch said in the *Times* last week, the policy seems to be simply to build more roads to the north so that people can get there.

However, as a number of noble Lords have indicated, the Budget has really passed us by now. We are really dealing with the statement of the Chancellor on the impact of the virus on our budget and his guaranteeing of loans of up to £300 billion, which is 15% of GDP. This is obviously unprecedented. As my noble friend Lord Oates indicated, from these Benches we welcome those proposals. But as the noble Lords, Lord O'Neill and Lord Lamont, asked, will this be enough? As we all know, following the Prime Minister's statement on Monday, the leisure industry has seen a catastrophic fall in its revenues. Without immediate action, there

will be bankruptcies of businesses, which will never recover. My concern is that if £300 billion is to be lent by the banks, the bureaucratic process for people to obtain those loans will be very slow. For many people, this will be too late. It will be too late for the self-employed and for workers on zero-hours contracts, who are laid off and today have no money.

I know that the Chancellor is considering further steps. The CBI is advocating a VAT freeze and the reversal of national insurance to provide immediate payment to business but I would go further, rather like the noble Lords, Lord O'Neill and Lord Lamont. I am glad that the noble Lord, Lord Lamont, raised the phrase "helicopter money". I like that phrase because it was coined by the guru of the right wing of the Tory party, Milton Friedman, who, when asked what he would do if there were another depression, said that the Federal Reserve should hire helicopters and drop dollar bills over every town in the United States, hence the phrase "helicopter money".

The paying of—whatever we like to call it—a citizens' dividend or business dividend has a reasonable pedigree. Ben Bernanke, the Federal Reserve governor in 2002, said that he would do that to combat deflation, defining deflation as a side-effect of a collapse in aggregate demand, which we are clearly heading for. Japan tried it in 1999, with some success. Australia in 2009 gave 950 Australian dollars to 8.7 million people earning less than 100,000 Australian dollars, and was one of the few countries to avoid recession; and Hong Kong has tried it in recent weeks, with a payment of 10,000 Hong Kong dollars to every Hong Kong citizen. I accept that probably just giving that sort of dividend to every individual might not be sufficient, and there would have to be a decision as to how you split that between business and individuals. However, I share the views of the noble Lords, Lord O'Neill and Lord Lamont, that this could be essential. The argument against it has always been that it is hugely inflationary. However, with the economy facing low growth or a recession, I submit that that is a risk worth taking.

At least coronavirus has enabled the Chancellor to avoid the trap set by his right-wing Brexiteers, who were advocating the creation of a Singapore-on-Thames following Brexit, with drastic cuts in public expenditure and significant deregulation. You obviously cannot deal with coronavirus and promote growth in towns that have voted Tory in the north and Midlands while cutting public expenditure and taxes. Therefore, at least the crisis has prevented the disaster for us of the creation of a Singapore-on-Thames. As a colleague said to me the other day, "With a crisis like this, everyone's a Keynesian now".

5.02 pm

Lord Leigh of Hurley (Con): My Lords, I welcome my noble friend to his new role. I was one of those who called out in private discussions with previous Chancellors and in public for this House to have a Treasury Minister, and it is appropriate that the Treasury has a direct line to the wealth of experience and expertise in this House, as this debate shows.

This Budget and subsequent statements needed to be about two things. First and foremost, it was about survival. Our economy, our businesses and our people

[LORD LEIGH OF HURLEY]

were threatened as they have not been since the Second World War. Fear stalks the market even as it does the supermarket aisles, so now is not the time to talk about missed fiscal targets. This was a moment for the Chancellor to do whatever it takes to get us through this crisis. He could do so because our economy is in so much better shape than it was in 2010, given the mistakes made before then.

It is true that this crisis is unlike financial crashes that I have witnessed from 1972 to 2008, in that it is not driven by an endemic and systemic failure of our economic system. This could mean that the recovery is rapid. However, that depends on what is left once Covid-19 has passed. I am talking in particular about small businesses. We are confident that this will run for months, not years, but those will be long months for many businesses short on working capital, supplies and customers. Whole swathes of our economic and social life are being shut down in the name of prevention and control. In every one of those businesses, jobs are under threat, and many will not survive. On all sides of the House, we hope that the measures announced will be successful, and we are so grateful to see such a competent person in the role at this time.

Access to working capital is vital. I am, however, concerned about the ability of the British Business Bank and commercial lenders to combine quickly enough to provide the needed liquidity. It will take time—time we do not have. Each loan still has to be assessed by a bank official. Make no mistake: these loans will not be given and will not save the people who work in businesses which are just not able, in the opinion of the bank's loan officers, to pay them back. Even if 80% of these loans are underwritten by government, the bank is not going to want to lose its 20%. Therefore, cruise businesses and those in travel, leisure and gaming and all their suppliers, and many others in a similar climate, will be deemed non-viable and will not get the loans.

I further suggest that the Chancellor considers more direct measures, as has been discussed here: emergency loans but delivered through the tax system via PAYE or VAT. This would be so much more direct for businesses which need it. If the directors of a business determine that it can survive, we need to help that business keep as many people as possible, so a PAYE holiday this month, to be recouped over the next six months, would save a lot of redundancies. We must also be aware that the £10,000 given as a grant to businesses which are eligible for small business rate relief, subject to the important point the Minister made, could be a rogues' charter, but it is a price we will have to pay.

It is true that we have a significant package of measures designed to get us through the next year intact. However, our current insolvency laws are not helpful for this unique crisis. Currently, directors of limited companies, who must be mindful of their responsibilities to creditors and to avoid personal liability, are almost pushed to call in the administrators. This is a disaster when in fact a business has just a short-term liquidity crunch. Indeed, it may be that the Chancellor produces more rescue help in the next day or so, but that may be a day too late. A director does not know

what is going on but he or she knows that administration will protect them. We urgently need a relaxation of the insolvency laws, which I gather Germany is doing right now, for some sort of Chapter 11 or other interim moratorium. It is needed immediately and it should last for the next few months. I cannot emphasise enough how urgent this is. I have been in touch directly with Ministers in BEIS but perhaps my noble friend and his colleagues can address this issue later today.

On the Budget itself, I am very glad that the Government will not pay for extra borrowing with changes to either business property relief or IHT, or by the mooted mansion tax, but I am very disappointed that they have chosen to reduce the lifetime limit for entrepreneurs' relief from £10 million to £1 million. This flies in the face of what is otherwise a commendable Budget for innovation. The idea is that entrepreneurs who are not salaried but risk their own capital should keep more of the proceeds if they succeed. HM Treasury claims that this will net an extra £2 billion or so a year, but that assumes that entrepreneurs will not change their behaviour at all—of course they will. In my line of work—I disclose to your Lordships' House my registered interests—I already know of entrepreneurs who are planning to start up their next business in Singapore or to emigrate to avoid, legally, capital gains tax. It was a short-sighted and counterproductive move. If we want entrepreneurs to take big risks, as we do, we have to allow them big returns. I know that people in the Treasury and the Resolution Foundation do not like it but I say to them: get over it. I hope in future Budgets the £1 million figure will be raised.

I ask my noble friend whether his officials will provide clarity on the extra funds to be provided to SMEs for apprenticeships to support an increase in the number of high-quality apprenticeships in the 16 to 18 range. Given the 47% drop in those apprenticeship starts, what plans are in place to recruit and fund 16 to 18 year-olds into apprenticeships? One start might be to ban MBAs from being covered by the levy.

I also repeat the plea made regularly by myself and my noble friend Lord Lucas for online marketplaces to be liable for the collection and remittance of VAT—Amazon being the prime example. This is taking place in most of the USA and many other countries. The UK's competitors are cracking down on this evasion but we have not, thus making the UK increasingly attractive to VAT fraudsters. All we seem to have done is to pursue with a vengeance the one whistleblower who has revealed the scope of the problem: a Mr Richard Allen. This matter is costing our country substantially in lost VAT and really does need action from the Government.

All that I have said and asked for should not take away from a Budget from a Chancellor who has risen to the occasion. British businesses and citizens were crying out for an almighty show of fiscal force and that is exactly what they got.

5.09 pm

Baroness Jones of Moulsecoomb (GP): My Lords, it is always a pleasure to follow the noble Lord, Lord Leigh, because I disagree with so much of what he says that it invigorates me for my own speech. But in fact today I

did agree with some of the things he said; for example, on small businesses and of course in welcoming the Minister to his new role.

I spend most of my life in a constant fury about this Government and their inadequacies, incompetence and inability to see beyond the immediate condition of the economy. Clearly, Covid-19 has exacerbated everything. I had hoped for high things from the Budget last week. We were promised that it would be an environmental Budget, but it absolutely was not; it was a failure. However, I do not want to be too hard on the Chancellor. Yesterday was a chance to improve things a bit, so I do not want to be completely rude about it. However, we have to understand that last week's Budget has been overtaken by events. The Government had a rare second chance to get it right but, somehow, they did not.

Many of the problems are based on the fact that we have had 10 years of Tory government, and their austerity policy has damaged our society and our economy at the most basic level. A decade of relative stability, apart from the political noise of Brexit, has largely masked the devastating harm inflicted by austerity on our public services and communities. The virus is now exposing the weakness that has been cultivated by this Government: local authorities that have been cut to the bone; the NHS at breaking point; families with lots of debt and barely any savings; and a job system that has moved so heavily to precarious contract work that we now have a record number of unemployed.

Every inch of spare capacity in the public sector has been ripped out—and then more has been ripped out. The economic and social impact of reacting to this virus will break us unless the Government make an urgent, swift and massive fiscal response. I shall suggest a couple of things, one of which the DUP agrees with us on. If you have the DUP and Greens uniting on an issue, I think you are in trouble if you do not pick it up.

I fear that the Government's response to this unique economic challenge will be to tinker at the edges of what is already a broken system. A few tweaks to statutory sick pay and a lightening of universal credit sanctions, while still bailing out and protecting big business, will leave huge gaps in the safety net, through which literally millions could fall. We have to look after all carers, zero-hours workers and parents with two jobs; all those in the gig economy and the self-employed, who are being laid off from industries such as the arts and entertainment; all those who are being asked by corporate billionaires to take weeks of unpaid leave; all those worried about having their benefits sanctioned merely for protecting their health; and all of the huge number of people involved in small businesses, who are at risk of ruin.

The Prime Minister pulled the rug from under many small businesses without any hope of insurance to cover their losses; many have already gone out of business. I have been watching the news all day and have had messages coming in. A huge number of cafes, breweries and pubs are now facing closure, with absolutely no hope of recouping their losses. I am not sure whether this Government know this, but Trump has ordered the suspension of all evictions and home-loan foreclosures. This Government are behind Trump—how embarrassing is that?

Anything less than a blanket guarantee for people who are potentially falling through the net will involve asking the population to make massive sacrifices to our way of life. We need a bailout for the people, not just for businesses and property owners. We need an end to benefit sanctions; help for renters and a ban on evictions; housing for the homeless; money off people's energy bills and a ban on cutting off energy supplies—and, an incredibly important thing, a rescue package for local authorities, so that they can help their communities through this emergency.

While we face up to the immediate threats, it remains important not to lose sight of the bigger picture. The virus is spreading fast and is very attention grabbing; it marks a stark contrast to the climate and ecological crises, which are much slower but more impactful. Our response to those crises should be cross-party, cross-border. The Chancellor's Budget should have been a decisive moment in our country's history but, sadly, it was not. If the planet were a bank, the Government would have bailed it out by now. If the people were a bank, the Government would have bailed them out by now.

It is time to act in a way that prepares for a better, climate-safe future. My recommendations are that we need a green new deal, a new fiscal settlement that can transform our economy to a stable, healthy net-zero carbon future that respects our role as custodians of the earth. The Government should issue billions of climate bonds with the support of the Bank of England and invest the money in our green future. The Green Party proposed £100 billion a year of investment in a green new deal, which is less than 5% of GDP—that is the scale of investment we need to tackle the climate and environmental emergency and which can pull us out of the economic tailspin that the virus will inflict on us all.

It was the so-called environmental Budget from the Chancellor, but he caved in to pressure from the fossil fuel lobby and froze fuel duty yet again. It was a big roads Budget, with £27 billion to be spent on new roads. It tinkered around the edges. People are of course taking all this into their own hands: they are stopping going out, stopping socialising, and stopping sending their children to school. The Government are behind the people. I understand that the Chancellor might be saying even now that schools will be closing, but it was something that should have been done before. And of course we need more testing. All these things should have been in the Budget update this week.

We are obviously massively threatened, and the Government are just not doing enough. Can the Minister please reassure me that he and his department understand the real needs that this country is facing?

5.16 pm

Lord Livermore (Lab): My Lords, the numbers that matter most today are clearly not those that we might normally focus on in a debate on the economy—not numbers relating to growth, inflation or productivity, but instead the numbers of people who, in the UK and around the world, have been diagnosed with the coronavirus or have died from this pandemic. Alongside this tragic human cost and health crisis, there is now a growing economic cost and financial crisis for business owners, employees, their dependants, pensioners and

[LORD LIVERMORE]

pension investments. Already we have seen stock markets fall and the global economic outlook deteriorate dramatically in just a week since the Budget.

The Chancellor was right yesterday to recognise this as an economic emergency. He moved swiftly in announcing a further £330 billion of government-backed loans for business, the equivalent of 15% of GDP. His statement that more support will be available is also welcome, as help is still needed for workers ineligible for sick pay and for renters. The Government must act urgently to underwrite wages in exchange for businesses not laying off staff, as has been announced in Denmark, Sweden and Norway.

The required economic measures are unprecedented in their scale, yet in the Budget last week the Chancellor presented an economy already with a number of serious underlying weaknesses, raising substantial questions about its ability to sustain and support the necessary action in this crisis. The OBR's focus was already for extraordinarily weak economic growth, averaging just 1.4% a year—well below even the 1.9% average growth in the post-financial crisis decade that we have just lived through. Even last week, the Budget forecast looked optimistic. It assumed that the economy would grow by 1.1% this year and 1.8% next year. This was in contrast to the OECD's forecast, suggesting the UK would grow at just 0.8% in both those years. Simply replacing the OBR's forecast for this year and next with the OECD's forecast brings the UK's annual growth down to an average of just 1.2%—the worst average annual growth forecast for the UK ever recorded.

As the widespread impact of this pandemic becomes clearer, there will need to be further, even sharper downward revisions to reflect the impact of lost working hours, deferred consumer and investment spending and business failures. A recession is now surely unavoidable. Capital Economics has estimated that the UK economy could contract by 15% in this quarter alone, compared with a 6% drop from the peak to the trough of the 2008 financial crisis.

The Budget also illustrated how Brexit will continue to further weaken the British economy. Although unmentioned by the Chancellor, the OBR put the cost of Brexit so far at around 2% of GDP, or £40 billion a year. Yet the Government continue to pursue the most distant possible relationship with the EU, introducing significant non-tariff barriers to trade, which the OBR now believes will reduce UK trade with the EU by 15%.

The Government have refused to publish an economic impact assessment of their proposed trade deal, but in the OBR's forecasts we can clearly see the cost: GDP will be some 4% lower over the next 15 years. With such profound risks to the global economy from the pandemic crisis, the fiscal policy response will come at huge cost to the Exchequer while tax revenues collapse, inevitably significantly widening the fiscal deficit. Indeed, a deficit of between 6% and 10% now seems likely.

While the Government are right not to focus on the deficit now, the Chancellor and his Budget presented not a sound platform from which to respond but already rapidly deteriorating public finances. As a result of the failed economic strategy of the past 10 years, UK net debt has doubled from £1 trillion to £2 trillion.

In just five years, the Government's ambition has swung wildly from trying to shrink the state in order to run an absolute budget surplus to growing public spending to almost 41% of GDP and actively aiming to borrow more than £60 billion each year.

The Chancellor set out unfunded spending commitments growing twice as fast as the economy, and debt was already forecast to rise relative to national income. If growth turns out even worse than expected, as it now surely will, debt will begin to move decisively upwards, now clearly heading to over 100% of GDP. To paraphrase a former Chancellor, the risk is that they did not fix the roof while the sun briefly shone.

As the Government shape their immediate and longer-term response to this crisis, policy could reasonably be governed by three guiding principles: sustainability, fairness and consistency. The Chancellor made clear in the Budget that he has no attachment to the existing fiscal rules. He maintained very little headroom against the current budget balance target, despite huge economic uncertainty, and in practice jettisoned the goal of debt falling over time, so it was no surprise that he announced a review of the fiscal framework. While maximum flexibility should govern his response to the immediate crisis—providing the economy with whatever support it needs—ultimately reviewing the fiscal framework should not lead to the removal of all fiscal anchors nor the abandonment of the idea that, in the end, day-to-day public service spending should be financed from taxation rather than borrowing. Here, ensuring that the burden is borne fairly must be paramount. Looking back, the austerity of the years after 2010 hit the most vulnerable disproportionately hard. While some of the richest working-age families gained £1,000 a year, the poorest lost £3,000 a year—15% of their income.

In this Budget, despite the Government signalling that austerity is over, the signs are not encouraging that their distributional approach will be significantly different. As a result of the tax and benefit changes announced in this Budget, the poorest decile is worse off in cash terms, while the eighth and ninth-richest deciles are the biggest winners, gaining over £100 a year. Despite significant increases in spending, the Budget did nothing to off-set the welfare cuts put in place by George Osborne in 2015, so child poverty is now set to reach record highs.

Finally, the Government's response to coronavirus requires an unparalleled consistency of purpose. It is inconceivable that the Government have the time or capacity to respond adequately while also seeking to renegotiate the UK's entire economic relationship with our closest trading partner. Reports that the negotiation period may now be extended are therefore welcome. This is an argument not about Brexit but about the pandemic crisis. Unless the Government are able to devote their entire attention to what is happening now, they will fail to produce an adequate response.

This does not feel like an economy in a robust position, capable of coping with the profound shocks it is now experiencing. The Chancellor's forecasts will clearly need to be downgraded further, and he will need to reassess much more of his fiscal strategy than appeared to be the case just one week ago.

5.24 pm

Lord Bates (Con): My Lords, I want to use my time in praise of a spirit of optimism. It is shown by many people, and there is an abundance of medical evidence to prove that having an optimistic outlook boosts the immune system of individuals—something that I am banking on. I declare that I am an optimist; even my blood group is B positive.

As far as we are concerned, I believe that optimism can also boost the immune system of our economy as a whole. As the Chancellor of the Exchequer said last week:

“We will get through this—together ... We will rise to this challenge.”—[*Official Report, Commons, 11/3/20; col. 278.*]

Rising to the challenge is, indeed, the need of the hour. It reminds us that resilience in overcoming adversity begins in the mind. Whatever fate has in store for us, the impacts will be far less severe and shorter in duration if we pull together and help each other to get through it. Rising to the challenge will be easier if we maintain that optimistic spirit. In my view, one of the finest books ever written was *Optimism*, published in 1903. In it, optimism is described as

“the faith that leads to achievement. Nothing can be done without hope and confidence.”

The author was a young Helen Keller, who had just become the first deafblind student to graduate from university with a degree anywhere. Any person who has ever stood for election, any athlete who has ever competed in a race or any businessperson who has ever set up a business knows the truth of her words. So where is the hope and confidence in the current situation?

Let me start with confidence. Confidence speaks of remembering where we have come from and what we have. It reminds us that we have come through many challenges far worse than this in our long and illustrious history. Had this disease struck a year ago, it would have found our nation and our Parliament divided; it would have found a hamstrung Government in the midst of an acrimonious debate about Brexit. But all that changed on 12 December 2019; whether you are happy with the outcome or not, the message of the British people was crystal clear. As a result, political leadership has been restored and the Government are able to govern.

Had this crisis struck 11 years ago, it would have found us still reeling from the aftermath of the global banking crisis. Instead, we have had almost 10 years of economic growth, bringing borrowing under control and seeing some of the highest employment levels in our history. There is no doubt that our economy is in much better shape than it was and is more capable of withstanding these shocks.

We have a National Health Service which I believe is the envy of the world. It is our front line in the fight against this virus; we could not have a better one. Added to this, the Chancellor made a pledge in the Budget Statement, saying that

“whatever extra resources our NHS needs to cope with coronavirus, it will get. Whether it is research for a vaccine, recruiting thousands of returning staff or supporting our brilliant doctors and nurses—whether it is millions of pounds or billions of pounds—whatever it needs, whatever it costs, we stand behind our NHS.”—[*Official Report, Commons, 11/3/20; col. 279.*]

That should give our incredible NHS staff and all of us great confidence in facing this crisis.

Next, we have produced some of the greatest scientists. In his speech, the Chancellor mentioned Newton, Hodgkin and Turing. He could have added Faraday, Fleming, Darwin, Lister, Jenner, Ross, Davy, Crick, Hawking, Goodall and many more. The UK is home to two of the top three universities in the world; one of them, Cambridge, has produced more Nobel laureates than the country of France. The steam locomotive, television, telephone, electric lightbulb, computer and world wide web were all developed by British scientists. The greatest medical breakthroughs of all time—in nursing care and hospital safety, germ theory, IVF, the smallpox vaccine, penicillin and DNA—were all developed by British scientists and clinicians. If someone is going to come up with a vaccine to protect the world from this virus or diseases like it, my money is on the solution being found here. That is why we can be confident.

What about hope? Hope is all about being positive. It reminds us that we should not let what we cannot do stop us doing what we can. Many sections of the economy will adapt to home-working, thus: raising productivity; reducing pressures on public transport systems; tackling the housing crisis by reducing the need for people to crowd into big cities, especially in London; tackling the effects of climate change by reducing the need to travel and lessening congestion on our roads; and levelling up by moving more high-paid, high-skilled jobs to the regions.

As a result of this paradigm shift, we will need to ensure that we have greater connectivity—one moment of caution. One area in the world in which we still lag behind is broadband and mobile speeds, where we rank 34th and 26th respectively. I welcome the Government’s announcement of £5 billion to get gigabyte-capable fibre-optic broadband across the country. This is certainly what we need to continue being a technology superpower, but it is far from the reality at present. In many parts of the country, even here in London, many people struggle to get download speeds of 10 megabytes per second, let alone 1,000. Speed is indeed of the essence, as the noble Lord, Lord Oates, reminded us.

The worst part of any crisis is the feeling of being battered by events and not having any control. That is far from the case. We might remember the words of the Serenity Prayer:

“God, grant me the serenity to accept the things I cannot change, courage to change the things I can, and wisdom to know the difference.”

The Chinese character for crisis is composed of two characters. The first is for danger; the second is for opportunity. We need to continue to seek and grasp the many opportunities before us. In doing so, we will find renewed optimism, hope and confidence so that, together, we can not only rise to this challenge but emerge from it stronger.

5.30 pm

Lord Bruce of Bennachie (LD): My Lords, it is always a pleasure to follow the noble Lord, Lord Bates, not least because I think his experience as a government Minister was a triumph of optimism in adverse circumstances.

[LORD BRUCE OF BENNACHIE]

It appeared it was becoming received wisdom that last week's Budget marked the end of austerity and, worse than that, or more than that, the confirmation of the assertion that austerity was never actually required. It is argued by some—the noble Lord, Lord Hain, is not in his place—that it was a right-wing ideological choice which caused unnecessary hardship. I assert that that is contrary to any objective analysis of the facts of the past 12 years. In 2008, we had a global financial crash partly brought about by a combination of light and divided regulation and the creation of impenetrably complicated financial products riding a global market. The scale of that crash was such that it threatened the world economy. It plunged us into recession from which we have actually barely started to recover. Drastic, urgent action was required, and it is to the credit of the then Labour Government that they led a co-ordinated global approach by the world's leading economies. Radical action was taken, and it was delivered, but there was a clear legacy. UK banks were more exposed than most, and the level of borrowing required to stop the rot led to an unsustainable current account deficit well in excess of 10%. So whoever won the 2010 election had to take strong action to bring the public finances under control. The manifestos of all the parties reflected that, although they seem to forget it. Labour, in particular, seems to have created an alternative narrative.

There is of course room to debate which measures were fairest and best and what was the right balance between tax, borrowing and spending, but to suggest that we did not have to do anything is simply preposterous and defying gravity. The fact is that the deficit was reduced to under 2% and, thanks to the Liberal Democrats, at the same time the tax threshold was raised to £12,000, the triple lock was introduced to reinstate the real value of pensions, the Green Investment Bank was set up, the British Business Bank was established, we adopted an industrial strategy and we boosted research and skills through expanded apprenticeships. Frankly, I believe it was an era of calm and pragmatic government compared with the volatility we have suffered since.

Forward then from last week's Budget to this week's Statement. The Government have been forced to recognise the scale of the threat to the population, the NHS and the economy and have proposed record spending measures with more needed and likely to follow. Some of these measures are short term and will act as a palliative, others are longer term and many may prove irrelevant. What the Government call "wartime measures" introduced this week will immediately—indeed, have immediately—turned off the cash tap for thousands of businesses and social enterprises and millions of people, especially those working in the gig economy. I have seen emerging in this debate a recognition that now may be the time for something radical to be tried. It may be the time to look to a citizen's income to give cash to everybody immediately to help alleviate their anxiety and deliver support to the economy. It is no good telling businesses to borrow money to maintain their activities if there are no customers, so people have to have money to spend, and while the social distancing is going on businesses have to have money to carry them through, but not

money that will saddle them with unsustainable debt. As others have suggested, this can be done through the PAYE system or the benefits system; indeed, I suggest urgently that this is the time to do something really radical and forward-thinking.

At the same time, we have just had an announcement that schools will close across the UK from Friday until further notice. That will put further stress on young people facing the possibility of exams with no knowledge of how they are going to get through them, and a lack of teaching time to help them get the grades they need. As a very important aside—I speak on Northern Ireland issues for the Liberal Democrats—in the three years that the Province was without an Assembly or an Executive, the health service pretty well broke down. Waiting times were extended and staff were stressed out. What are the Government doing to ensure that Northern Ireland has the support that it needs in this weakened state to meet the crisis?

If you put all this together, it adds up to a sharp reversal of the current account deficit. The consequences will perforce shape the Budgets not only for the rest of this Parliament but beyond, as the Government will have to bring borrowing back under control. That will present a challenge for a Government who want to level up the regions. They have won seats off Labour, but those seats will expect better funding for local services and will not appreciate tax cuts for the well-off. It will present a further challenge—this is a really important point—if the consequences of the hard Brexit that the Government are chasing are to further depress an already traumatised economy and reduce tax revenues. Surely this is the moment to acknowledge that the forward trajectory does not need and cannot sustain a sharp disruption to our alignment with the European Union.

At the very least, it surely calls for an extension of the transition period so that we can concentrate on bringing Covid-19 under control before we conclude a future trade agreement, and we should certainly not cut ourselves off from health and security co-operation across the EU. Looking further ahead, we should also address the supply-side weaknesses and encourage investment in skills development in new sectors such as robotics, the digital economy, AI and, of course, climate change—from the sophisticated engineering for sustainable energy to the job-creating benefits of retrofitting older houses with low-carbon systems. Crashing on with the Cummings/Johnson disruption presents not just the economy but our whole society with a potential cataclysm that it may not be able to absorb, bringing about far-reaching and deeply damaging consequences for years to come. It is surely time to face reality.

5.38 pm

Lord Skidelsky (CB): My Lords, I share the general appreciation of the Chancellor's Budget and even the former austerians have joined the chorus of approval. What they were belatedly acknowledging was that fiscal austerity was the wrong response to the recession; here I must disagree with what the noble Lord, Lord Bruce, has just said. When private spending falls off, the correct response is to increase not reduce public spending, as George Osborne did between 2010 and 2016. The penny dropped that what a Government can afford is determined by the real resources that it can command, not by financial arithmetic.

So, “better late than never” was an intuitive response to the Chancellor’s cash injection. Providing £2.5 billion to fill potholes that should have been filled 10 years before now seemed more obviously sensible than to allow the number of potholes to keep growing until all roads became unusable. But I have one caveat. “Better late than never” may not be the right policy if the “late” comes at the wrong point in the business cycle. Keynes wrote:

“The boom, not the slump, is the right time for austerity at the Treasury.”

No doubt it does not feel much like boom time right now, and forecasts have suggested a recession. Nevertheless, today there is less surplus capacity in the British economy, and other western economies, than there was 10 years ago. In 2010, UK unemployment was 8%. Today, with less than 4% out of work, we are much closer to full employment. I know that the calculation behind the Chancellor’s stimulus was that the extra investment would draw workers from lower to higher-productivity jobs, thus boosting economic growth. That was a reasonable gamble, but it was a gamble all the same.

In any case, all this has been overtaken by the pandemic, which has led to the promise of an extra £350 billion to deal with it. The Prime Minister said:

“We must act like any wartime government”,

a sentiment echoed by the most reverend Primate the Archbishop of Canterbury. Let me say a word about the “war” metaphor, because it can be a source of some confusion. A war economy is above all a shortage economy; supply falls relative to civilian demand. To put it another way, it is an excess demand economy. People find it hard to get their heads round that idea because they are so used to the belief that crises come because demand has fallen, but a war economy is an excess demand economy for the simple reason that a part of supply has been taken by the state for other purposes—in the case of the war economy, for war purposes—and there is therefore less supply for civilian demand.

Today, the equivalent is that people, for very good reasons, are made to stay at home. It is sort of like conscription; suddenly there are fewer people available to produce supply and therefore the supply falls. That is what is happening. A fall in supply in that sense is independent of what is happening to demand.

What is happening to demand? That is the next thing. Although the Government have announced guaranteed loans only to businesses, it is certain that they will be driven to measures making it possible for firms to pay redundant workers their normal wages or, as in the United States, to pay wages directly—in other words, giving workers paid holiday for two or three months or whatever it might be. The likelihood is that incomes and demand will not fall as much as supply. That is when you get the typical war economy situation of excess demand. The essential point is that standards of living cannot be maintained for long if part of industry remains closed. At this point we will be faced with the alternatives of inflation or higher taxation, the question Keynes addressed directly in his 1940 pamphlet *How to Pay for the War*.

There are already signs of excess demand in certain retail sectors due to panic buying and interruptions of wholesale supply chains. In the short run, this may be choked off by a combination of informal rationing, which has already started, staying at home and voluntary saving. But if the pandemic lasts for more than two or three months—and we have no evidence of how long it will last—more drastic measures will be needed. That is some way off, but it is worth thinking about it and not assuming that there is a magic bullet which will keep all the jobs going and then somehow allow us to recover quickly. Sooner or later, we will all have to start paying for what we are now giving. There is no way out of that.

5.45 pm

Lord Adonis (Lab): My Lords, it is a great privilege to follow the noble Lord, Lord Skidelsky, the biographer of John Maynard Keynes. It appears that we are all Keynesians once again. As the most reverend Primate put it, it is now “us” and “we”, in place of “I” and “me”. But I am not sure that Keynes himself would have been overly impressed with the position we are in at the moment. In his last speech in the House of Lords, in 1945, he said that

“everyone talks about international co-operation, but how little of pride, of temper or of habit anyone is willing to contribute to it when it comes down to brass tacks.”—[*Official Report*, 18/12/1945; col. 777.]

That is exactly the position we are in now.

I was particularly impressed by the speech of the noble Lord, Lord O’Neill, who laid out the big agenda that we need to follow. We need precisely the international co-operation that Keynes was talking about in 1945, and which he did so much to foster in his own age in respect of Breton Woods and Anglo-American co-operation. We need that in this crisis. Ideas of the kind that he put forward, including the people’s QE, are very timely and need to be taken forward as a matter of great urgency.

I was especially impressed that the noble Lord, Lord Lamont, who I do not always agree with on matters of politics and ideology, rowed in strongly behind that. At the moment, we face a massive demand shock and a massive supply shock, and we need to address them directly and immediately. That is true not least because dealing with the pandemic itself involves—as the noble Lord, Lord Lamont, rightly said—giving people reassurance, not just about their medium and long-term future but that they can go off sick tomorrow when they develop coronavirus symptoms, without thinking that their livelihood, and potentially their job, is at stake.

The situation is very serious. The absence of international co-operation and exchange is a huge challenge. I hope that the Minister, who we hold in high regard, will take these ideas back to the Treasury and the Cabinet Office and see that they are acted on immediately.

Martin Wolf, in today’s *FT*, in a very Keynesian article, said that we need to:

“Think big. Act now. Together.”

Thinking big, acting now and doing it together must be addressed through two particular priorities: sustaining people through this crisis and sustaining businesses

[LORD ADONIS]

through this crisis. On sustaining people, I do not want to go through the specific points that have been made so far, but I want to direct a few additional questions to the Minister.

The first question is about provisions in respect of sick pay. The Minister will have picked up that there is huge dissatisfaction about this, concerning the gig economy and the self-employed, and the fact that sick pay is only £94.25 a week. That people on high or moderate established incomes are expected to go down to £94 in one go will be a big disincentive to people to declare themselves sick and self-isolate.

The biggest outgoing that people have is of course accommodation costs. It is not acceptable that we are still in a state of great confusion about this. The Chancellor, in his statement last night, announced that there would be a mortgage holiday of three months for those who are suffering from coronavirus. That is good, but we still do not know what the position is in respect of renters. We are told that people will not be evicted, which is a big step forward, but will there be a rent holiday similar to the proposed mortgage holiday? The Minister needs to tell us that at the end of the debate.

The other crucial point is the big injection of loans and potentially straightforward subsidies that has been put into maintaining businesses. The first big question is whether the right approach is for this £330 billion to take the form of loans, or whether some of it should be turned into straight grants. The fiscal stimulus that has been referred to crucially depends upon whether the state is expecting these loans to be repaid. The confidence with which companies will take them up depends upon the same thing.

The noble Lord, Lord Lamont, raised an extremely pertinent point. The reason for giving loans or grants to companies is twofold: to sustain businesses but also, crucially, to sustain employment. He is absolutely right to say that, if the state is going to make a big investment in businesses up and down the country to keep them going—as it should in this crisis—part of the deal should be that they maintain their employees. There should be a straightforward contractual agreement between the Treasury—or the banks, or whoever the Treasury will channel money through to directly make these loans—and all recipients that, for the duration of the coronavirus crisis, they will not make anybody redundant or in any way reduce people's terms and conditions. That seems to be a straightforward and very basic point, and it goes a long way to providing the kind of people's QE that the noble Lord, Lord O'Neill, referred to. I would be grateful if the Minister responded to that, explained the Government's thinking and said whether he can see any issues arising.

Next week we have coming before us the legislation, which I am told is of doorstep proportions, and we will want to address a lot of issues in it. The security of workers—which is absolutely crucial to the long-term health of the economy but also in the short term in dealing with the pandemic—will be vital.

Finally, as we come out of this crisis—and we will—we need to come out of it as strongly as we possibly can, which means giving the strongest possible incentives to reviving trade and international confidence. Yet what is the first thing the Government intend to

do after we come out of the coronavirus crisis? To push us into a hard Brexit. I cannot think of anything more ill judged than to move from one massive shock to the national economy to another. I know the Government are saying at the moment that they will not change the timetable and all that. Everyone who speaks to anyone in Whitehall knows that preparations are being made for it, not least because at the moment it is not even possible to conduct the negotiations on the terms of our trade and economic relations with the EU after the end of the year. I do not expect the Minister—who would lose his job immediately if he indicated any flexibility on this—to give us any indication of what he really thinks on this, but he needs to hear the views of the House. I think most Members would regard it as absolutely absurd for us to move from the depths of one crisis to a massive self-inflicted crisis immediately afterwards. We should put Brexit on hold after this crisis. As John Maynard Keynes famously said:

“When the facts change, I change my mind. What do you do, sir?”

5.51 pm

Lord Hunt of Wirral (Con): My Lords, I first declare my interests as set out in the register. As many have observed, this debate is taking place during the greatest crisis our nation has faced since the Second World War. Our principal concern must be the health of our people, but the state of the economy will be critical too. I gladly join the many tributes paid to our heroic staff in the National Health Service, but there are many other heroes too—in pharmacies, supermarkets and right through all those vital supply chains, ensuring that life can go on at all.

The measures announced by the Chancellor yesterday were very welcome, but more will surely be needed and many colleagues have already put forward some persuasive proposals in this debate. Even as the latest measures were being immediately digested, it became clear—as the noble Lord, Lord Adonis, just pointed out—that millions of our fellow citizens are still trapped in potentially untenable situations, such as people living in rented accommodation, whose sources of income in many thousands of cases have suddenly dried up. I think, too, of those who work in bars, restaurants and theatres—sectors that usually provide and enable so much of the joy of life, all suddenly come to a standstill. Of course, much of their work is casual, short-term, fixed-contract or zero-hours in nature and it has suddenly vanished, literally overnight. Think of those actors who rely on bar work, restaurant shifts and front-of-house work between times, or supply teachers contemplating imminent school closures.

Of course our great nation will survive this shattering blow, but we must ameliorate urgently now, as well as rethinking things for the future. As noble Lords will know, I believe we shall succeed only if we come together as one nation.

When we debate economic matters in what we might think of as normal times—and that normality may never fully return—we tend to emphasise the need to innovate, to compete, to outrun and outshine the competition. As we strive to build social and economic resilience in the face of this terrible pandemic, it is only natural that our focus should shift towards notions of solidarity, co-operation and social cohesion.

I know this is ancient history, but when I made my maiden speech from the green Benches in the other place in April 1976, the great fear of the land was the inexorable decline of our great industries and consequent unemployment and social disenchantment. The unemployment rate was around 5%, above where we were last month, but I fear somewhere below where we will shortly find ourselves. I said in that speech:

“It is very worrying to contemplate the amount of social and economic damage done by such widespread unemployment. To be without the opportunity of work is an affront to human dignity.”—[*Official Report, Commons, 12/4/1976; cols. 969-70.*]

Just a few short weeks ago, both the employment rate and the number of people in full-time work were at record highs. Wages have been rising ahead of prices month after month after month. How quickly a situation like that can crumble.

The One Nation group of MPs came into being in 1950 after the Conservative resurgence in that year's general election swept in one of the most talented intakes in history. To most economists and politicians back then, full employment was generally seen as something that could and should be achieved through government intervention, job creation schemes, state enterprises and so forth. Since the 1970s, that outlook has seemed old-fashioned and discredited. In this situation, however, the current replacement of ideology with pragmatism is not only welcome but, I believe, essential for our survival. It is said that in times of national crisis no one claims to be small-government Conservative, so I warmly applaud the swift and decisive action taken by the Chancellor to underpin small businesses in particular. He deserves all our support, and I believe that he is the right man at the right time.

I mentioned theatres and actors. Just last week, although it seems a lifetime ago now, my wife and I attended the first anniversary performance of the West End show “Come from Away”. The show tells the true story of how the population of Gander, a small town in Newfoundland, welcomed thousands of unexpected visitors when 38 passenger planes were grounded at their local airport in the wake of the 9/11 attacks. The people of Gander famously came together and showed us the best of humanity. That powerful, timeless message of social solidarity and generosity of spirit must infuse not only our social policies but our economic policy too.

As one nation we shall survive this crisis, but only as one nation shall we then successfully rebuild our economy and our society.

5.58 pm

Baroness Falkner of Margravine (Non-Aff): My Lords, it is a real pleasure to follow the noble Lord, Lord Hunt of Wirral, whose long experience and pragmatism is something that we in this House should all take account of.

Like other noble Lords, I want to concentrate on the broad economic outlook in these extraordinary times. It is said that in 1942, in the middle of the Second World War, William Beveridge said on publishing his report on the welfare state:

“A revolutionary moment in the world's history is a time for revolutions, not for patching.”

I think we are all coming to the realisation that this extraordinary period may end up being revolutionary, not least in its impact on globalisation—or deglobalisation—and on our faith in the capitalist model underpinning these free societies.

Several analogies have been drawn between the financial crash and this coronavirus pandemic, but the profound difference is of time, scale and scope. With the financial crash, it took five months between the run on Northern Rock and its eventual nationalisation. In the case of Covid-19, it has taken 13 days from the first death on 5 March to around 71 now. While the crash was a relatively slow burn with a very long tail, as we know from austerity policies, it is expected that the UK will see 95% of cases over a nine to 10-week period only.

Another difference is scale. Banks and large businesses going under undoubtedly impacted on a significant number of people very directly, but the indirect effect of lower public spending was a slow, long burn over many years, as other noble Lords pointed out. For me, the underlying risks to the economy are more grave this time and the level of uncertainty, as opposed to risk, is rising; hence the slump in global markets. We do not know whether a global recession, or indeed even a depression, caused by the pandemic will go beyond the current stock market slump to a full-blown financial meltdown, which will be of a different order of magnitude from that which we are planning for in loosening the purse strings.

We know that global regulation and financial buffers have made banks much more resilient and that the stress tests to evaluate bank safety have been made much tougher, taking into account multiple scenarios for shocks to the economy. However, the modelling has not anticipated the speed and depth of this pandemic, and its impact on regional and national lockdowns on supply and demand constraints. The equity market falls contemplated in worst-case scenarios of around 25% have already been exceeded, since some markets have fallen south of 30% in the last couple weeks. While central banks have countercyclical capital buffers, the question is whether they are deep enough to increase the capacity to lend to avert a credit crisis.

In this context, I note that calls for helicopter money, which has been mentioned by the noble Lord, Lord Lamont, are being considered in the US, where Steven Mnuchin, the Treasury Secretary, is contemplating a cheque of \$1,000 for every American citizen. Here in the UK too, there are increasing calls for universal basic income. I note that the Prime Minister did not rule it out in Prime Minister's Questions this morning. It is not surprising, since conventional economics holds that when interest rates are low—ultra low—debt can grow exponentially. I think that was the basis of the Labour Party's spending splurge promised in its manifesto.

The current Government's borrowing assumptions in the Budget were also predicated on that view, hence the £30 billion stimulus, which would have looked like good economics had normality continued in the market and the wider economy. While some speakers on the Labour Benches have used this crisis to suggest that there should have been no attempt from 2010 onwards to bring down the public debt, I am curious whether they think that the economy would have been able to

[BARONESS FALKNER OF MARGRAVINE]

withstand this particular crisis, or that this level of spending would have been possible, if we were still carrying a level of government debt of around 57% of GDP, as was the case in 2009. Of course, that excessive and extremely high public debt is a burden carried by future generations.

However, it has all changed now, and hard times call for new thinking. As far as helicopter money or universal basic income are concerned, if used to alleviate shocks to earnings and employment they must be for a very time-limited crisis response, since its overall effect on incentives and issues of equity will create free-riding. I think the noble Lord, Lord Skidelsky, said that we will all have to start paying for what we are giving. Some will pay more than others.

The Government should use every lever that they can at the moment, but in doing so they must surely be mindful that things can get worse, even from where we are today. At unpredictable times, we might be mistaken in thinking that we have hit the bottom, only to discover that our sight was blurred and that the bottom is still some way down. Foresight, not panic, should be the order of the day for both the Government and the public. Good judgment should drive the response, not the need to do something, even at this time of national crisis.

6.04 pm

Baroness Lister of Burtersett (Lab): My Lords, in his Budget speech, the Chancellor claimed to be providing security and to be getting levelling up done. But levelling up should not just be about the physical infrastructure of new roads, railways, broadband and homes, as he described it, welcome though all but the first are; it is also about the social infrastructure of public services, such as social care and childcare. These are of great importance to local communities and people's lives, as is currently being brought home to us. Levelling up should be about people as well as places, wherever they live. The Budget fails to get levelling up done on either count, or to deliver genuine economic security to those whose economic circumstances are most insecure.

Like a barium meal, the current crisis is illuminating painfully the inadequacies of our care services and social security system, depleted of resource after a decade of austerity. The Women's Budget Group, of which I am a member, argues that the social infrastructure is every bit as important as the physical, and of particular importance to women, who rely more on public caring services. What has happened to the plan we were promised on social care? It is like "Waiting for Godot". Moreover, the group calculates that investment in care services would create more jobs than the equivalent level of investment in construction. The group calls on the Chancellor to include the social infrastructure in his welcome review of the fiscal framework. Will the Minister confirm that, in this review, investment will be understood to include investment in the nation's social and human capital, as well as its physical capital?

As I said, levelling up has to be about not just places but the individuals who live in those places and elsewhere. The two are intertwined, as the Resolution Foundation underlined:

"differences in family finances ... drive up regional living standards inequalities, and these should form a substantial part of the levelling up agenda in future."

It points out that this is particularly true of social security cuts, to which what it calls "blue wall seats" gained from Labour were most exposed. It says that the Budget does virtually nothing to offset the cuts imposed in 2015. The households in the second net income decile, for example, will eventually be £2,900 a year worse off on average due to benefit and tax changes since 2015, with £900 of that yet to come from the social security policies still being rolled out, notably the two-child limit. One consequence is "a risk that child poverty will reach record highs by the time of the 2024 election."

A key driver has been the four-year freeze, which has cut the value of working-age and children's benefits by around 6%. Overall, they are now worth about 9% less than if CPI indexation had applied since 2010.

It is all very well that the Budget report cited the end of the benefits freeze under the rubric of supporting the most vulnerable, but it was due to end anyway. What is missing is any commitment to making good the money lost, as called for by the Work and Pensions Committee in the previous Parliament, and by others—not even that which was due to higher than anticipated inflation, so that it is estimated that the Treasury saved roughly an additional £1.2 billion. This is money owed to the most vulnerable, and the Government should acknowledge the debt.

Policy in Practice concludes that the Government have missed an opportunity to show support to households in poverty and halt the reputational damage of universal credit. Noticeable by omission was any provision to alleviate the impact of measures introduced as part of austerity. For these households, austerity is far from over. Unless the value of their benefits is restored, it will be baked into inadequate social security benefit levels in perpetuity.

Inadequate benefit levels are also one reason that the social security system is not now providing the security that its name promises. Other problems caused by a number of aspects of the design of universal credit, in particular the five-week wait, have already been mentioned. While the tweaking of the rules governing the repayment of advance payments is very welcome, I fear it will be now used to resist the growing calls for more fundamental reform of the five-week wait. As Policy in Practice argues, this meant that the Chancellor missed an excellent opportunity to set out an alternative strategy to support households through the five-week wait.

That strategy, recommended in various forms, including by the noble Lord, Lord Freud, is to provide what Nicholas Timmins of the Institute for Government calls a

"non-repayable ... 'welcome grant' for ... new claims for UC and to those transferring ... from tax credits"

who will not be covered by the run-on of existing benefits. This has particular implications for those hit by Covid-19 who do not qualify for statutory sick pay. Policy in Practice, Citizens Advice and others argue that much more must be done to ensure that everyone can afford to self-isolate and is not discouraged from doing so by the UC rules.

Nor must they be discouraged by the sheer inadequacy of available benefit levels or support with rents. Will the Government heed CPAG's call for an emergency

increase in children's benefits, especially as free school meals are suspended when schools close? Can the Minister give—or seek on our behalf from DWP—an assurance that all work sanctions and job search requirements will be suspended? Discretion is not good enough to ensure protection. More radically, petitions are circulating, both nationally and internationally, calling for an emergency universal income scheme, as mentioned, to help get us through the crisis. Ireland is showing the way on a temporary basis.

I welcome the fact that the Chancellor is promising a further package of measures. These must be sufficient to meet his promise to every British citizen that this Government will give you the tools you need to get through this. Without financial security, it will be that much harder to get through. This is a public health—as well as an income security—issue.

Two weeks ago, during the debate on the Child Benefit Up-rating Order, the Minister declared:

“I am proud to represent a Government who are focusing attention on those at the very bottom end of income.”—[*Official Report*, 3/3/20; col. 571.]

Two days later, the Office for National Statistics published a bulletin showing that there had been a 7% fall in the real income of the poorest fifth of people, largely due to the benefits freeze. The Budget does nothing to rectify this. It neither offers genuine security to those with the least security nor levels up the living standards of those at the bottom. In the face of growing poverty and hardship, the Government's priority should be a source not of pride but of shame. Following the remarks of the noble Lord, Lord Hunt of Wirral, I hope that the Government will now prove me wrong, and prove that they are genuinely a one-nation Government.

6.12 pm

Baroness Bennett of Manor Castle (GP): My Lords, it is a great pleasure to follow the noble Baroness, Lady Lister. I can only very strongly agree with her that the Budget utterly failed to address our desperately threadbare social infrastructure. I am speaking as someone who has just started cycling to your Lordships' House and I am very keen to get those potholes filled in—but, while the Budget put some funds into the physical infrastructure, we are going far beyond the Budget in this debate. We are looking, as one noble Lord said, at the big picture.

I want to refer to the most recent episode of the BBC series “Child of Our Time”, which follows children born at the end of 1999. Experts at the start of making that programme said with confidence in 1999 that we were looking at

“a better society, a better world for our children”.

Look where we have got to. One of the first landmarks in that period was the financial crash of 2008. We bailed out the banks and made the people—particularly the poor, the disadvantaged, the disabled and the young—pay for that bailout. I draw on the New Economics Foundation for the statistic that welfare social security is now down £34 billion in real terms on the figure from 2008. Then, of course, we have come to realise that we are in a climate emergency. I go back to the Budget; as my noble friend Lady Jones of Moulsecoomb suggested, it utterly lacked the climate

bailout that we so desperately need, and what we had promised to sign up to through our words in declaring a climate emergency and through our position at the head of COP 26.

Then, in the scant week since the Budget, we get the coronavirus crisis. On Saturday, the Green Party called for a solidarity pact: for a guarantee that people's utilities would not be cut off; a guarantee that there would be no benefit sanctions; and a guarantee of a freeze on council tax. Yet what we have not seen from this Government is the people's bailout. Another thing called for in that solidarity pact is a guarantee that no one will be evicted. We have heard about the Government backing that, but I hope that the Minister can give us more detail, which we have not heard in the other place.

Many noble Lords have referred to the damage done by austerity. I want to pick out one very relevant case study. IPPR analysis shows that there has been an £850 million cut in local public health budgets in the last five years. The poorest places have been hit first, and worst. We know that the people most vulnerable to coronavirus have type 2 diabetes, heart disease and respiratory disease linked to smoking, unhealthy diets and obesity. The figure for public health in the Budget was up about £150 million but that is based on a cut of £1 billion since 2014. This spending could have directly reduced the impact of coronavirus but has not been made.

Let us focus on the now and think about the situation of so many people outside your Lordships' House. The most reverend Primate the Archbishop of Canterbury was prescient in referring to free school meals. As we now know, from Monday, huge numbers of families will be wondering how to feed their children without those meals. There are people sitting in households in the dark and the cold, possibly ill too, wondering how they will top up their pre-payment meters. They are not supposed to go out. Why do we not have a measure to top up automatically such meters, owned by some of the most vulnerable people in our society?

In the gig economy, which many noble Lords referred to, two-thirds of renters have no savings at all, and 1.1 million households made up of renters rely on self-employed people as their main source of income. They will be worrying about the rent but, even more basically, right now they are worrying about buying food. We have seen no steps to help them.

It is fascinating to listen to the debate. We have seen people move their positions hugely. The noble Lord, Lord O'Neill, who is not currently in his place, said that incomes need to be made good by our Governments. The noble Lord, Lord Lamont, referred to “helicopter money”. I must say, as someone who represents a party that has for decades spoken in favour of universal basic income, I feel some sense of shock at this moment. As my noble friend Lady Jones of Moulsecoomb said, we agree with the DUP, which calls for a universal basic income; the SNP is calling for it in the other place too.

As noble Lords might expect from the Green Party, I want to go further than that. In opening the debate, the Minister said that the world has changed and that we must see beyond the short-term impact of the coronavirus. I absolutely agree. As I said with regard

[BARONESS BENNETT OF MANOR CASTLE]
to public health budgets and making the people pay for the bailout of the banks, we have made choices that have created a profoundly fragile, insecure economy, which coronavirus is now exploiting. The virus is exploiting our weaknesses.

Let us look to the future and the long term. Let us unleash the creativity of people, give them a chance to develop their skills and give them security. Let us move immediately to a universal basic income to give everyone security, not just for a few months or a year but for the future.

6.19 pm

Baroness Finn (Con): My Lords, I am grateful for the opportunity to speak today. It is humbling to follow so many experienced, knowledgeable and very learned noble Lords. As others have mentioned, it is far from business as usual; as we have watched this crisis build ominous momentum, so we have waited to see the Government's fiscal response. Of course, it is too early to say, but I sincerely hope that this is indeed the Chancellor's "whatever it takes" moment.

On Monday, the Prime Minister rightly told the nation not to frequent bars, theatres or clubs, with a massive effect on those businesses and many more. However, on Tuesday they heard from the Chancellor that the Government would support them with £330 billion in loan guarantees to give firms access to cash. I very much welcome the package outlined by the Chancellor and appreciate that this is a fast-moving and uniquely challenging situation. However, I echo many other noble Lords in urging him to provide much-needed clarity and to consider additional measures to support the self-employed and businesses in the service, hospitality, retail and entertainment sectors.

No Conservative would want to see good money thrown after bad to support a failing industry, but that is not the situation we face. There are hundreds, if not thousands, of perfectly viable and profitable businesses which risk going under because of an act of God. The first duty of a Government is to protect their citizens, but they must also intervene now to reassure businesses that they will stand behind them. This cannot be just through loans; they will need tax holidays, cash injections and relief from PAYE and other pressures. The message must be clear to business owners: keep your staff on your books, the Government will support you. As a country, we will get through this terrible virus. However, if ever there was a role for government, it is here and now. We must ensure that our economy is strong and vibrant on the other side.

This extraordinary backdrop should not overshadow what I hope will be a critical change in measuring return on public investment—a rewriting of HMT Green Book rules. I welcome what my noble friend the Minister said about this. For years, this outdated Treasury methodology, which was intended to guarantee the best return for government investment, has perversely done more to widen economic disparities, depress productivity in poorer parts of Britain and deepen the gulf between north and south. We cannot continue to count every pound spent in terms of narrow cost-benefit. This Budget shows a welcome break from orthodoxy to ensure that funds are now allocated on the basis of how much they will improve well-being and social cohesion in the areas targeted.

The first indicator is the approach to spending on infrastructure. It seems that the Government are minded to go even further than the feted £100 billion. The Chancellor said that, by the end of this Parliament, public sector net investment would be triple the average over the last 40 years in real terms. This money must be spent on projects that have sustainability and productivity at their heart, so I am pleased that, as well as roads and railways, we have significant outlays for improving 4G networks such as the £5 billion for gigabit broadband. As the eyes of the world will be on the UK in Glasgow later this year, it is good to see the Government committing to building electric charging infrastructure. The commitment to carbon capture and storage technology will be vital if we are to meet our commitment to be net-zero on carbon emissions by 2050.

One former casualty of the outdated Treasury methodology is the Swansea tidal lagoon project. I have mentioned this many times; it has the potential to be the prototype for world-leading exportable technology. Could my noble friend the Minister commit to looking at this again? Our uniquely powerful tidal flow is an enormous competitive advantage that it would be a crime to ignore.

When it comes to investment, we cannot do better to boost our productivity than to invest in our people, so I commend the £2.5 billion new national skills fund. In this time of profound economic change, it is vital to support people as they upskill and reskill on their journeys to future-facing careers. Such a fund should give our high-growth, innovative firms access to a stronger pipeline of talent. I was disappointed—as were many others, including my noble friend Lord Leigh—to see a stringent reduction in the lifetime allowance for entrepreneurs' relief. I declare an interest as the co-founder of a start-up company. We must mitigate the reputational damage this shift could do to our hard-won entrepreneurial culture. Access to talent, domestically and globally, will go some way to offsetting this, as it remains the No. 1 concern for start-up businesses.

This was a Budget about a crisis, but it was also about sowing the seeds of recovery. This pandemic has been a reminder that we are a truly global society, so we must build a workforce, infrastructure and ideas that can compete and succeed globally. On that measure, this Budget holds much promise.

6.24 pm

Baroness Valentine (CB): In these testing times, I thought it was important to speak up today for those towns at the end of the line, which rarely reach the consciousness of our Westminster world. These towns, which have some of the worst deprivation in the UK, will suffer greatly from the current crisis. I urge the Government to do everything they can to support them through the crisis—I am taken by the people's QE proposal from my noble friend Lord O'Neill—but they should also plan for the longer-term levelling up that was promised at the last election.

Given the last two years I have spent in Blackpool, and my role now working with Business in the Community to bring business's attention to Britain's overlooked towns, I will focus my remarks today on what levelling

up means in practice. The promise of serious attention might well have contributed to swaying marginal seats in the north, but the words “levelling up” did not feature heavily in the Budget. Last year, the Government announced a town deal programme, focusing £3.6 billion of funding on 101 forgotten towns. If levelling up means bringing opportunity and hope to these towns once we are past the current crisis, then the Government will have gone a long way towards both defining levelling up and establishing its credibility in so doing.

I think we all get the intention of levelling up, but delivering it is another matter. Local people are looking for genuinely transformational commitment to their areas. Delivering this change in long-ignored places requires sensitive, long-term strategic investment, in tune with local opportunity and need and going beyond a single political term. I ask the Minister: how do the Government plan to direct the welcome investment described in the Budget towards these towns? Relevant spending pots include the stronger towns fund, the high street fund, the UK prosperity fund, housing funding, and skills and education spending, to name but a few.

Specifically, could the rollout of 4G and better digital infrastructure perhaps be prioritised for these towns, or could they even leapfrog to 5G? I sat on the House of Lords committee on regenerating seaside towns last year, which identified digital connectivity as a means of compensating for the isolation of these towns at the end of the line. Could we also add digital training academies and enterprise hubs, so that we can build skills for the future in these places? Can some of the hundreds of billions allocated to infrastructure be set aside for town deals to access, and can we find a way of assessing cost-benefit ratios more imaginatively to capture public benefit, rather than saving time spent on a train? A river crossing in Lowestoft could knit together two halves of the town, thus providing community cohesion at the same time as economic connectivity.

On housing investment, can the policy instruction to Homes England be amended so that it is not just tasked with building more housing to accommodate overheating in the south, but can also help those towns deal with seriously run-down neighbourhoods? Blackpool has an area of 10,000 units in the centre, which are the legacy of the traditional bed-and-breakfast industry; it now houses the greatest concentration of deprivation in England. At the moment, Homes England does not have the remit to help.

The town deal programme has promised not just to be about money but to provide a strategic approach as well. Will the Government consider having a town deal tsar to work across departments and deliver funding and strategic progress in these terms, and will they measure this progress in aligning government strategies and funding?

I also wonder whether some delivery capacity at the centre is required to move from headline messages to supporting local teams in achieving real change on the ground. For instance, the Government plan to move 22,000 civil servants outside London. Can this be integrated with the Government’s plans to create Civil Service hubs, and can those hubs be located in town

deal areas? Again, I am aware of the Civil Service hub proposal for Blackpool, which has been agreed in principle for some time but never seems to progress.

The Budget said little about skills and education and the town deal programme focuses primarily on capital investment, but there is also a need to a focus on finding the best people and upskilling alongside capital projects. At the end of the day, this is about people, their self-belief and opportunities. If there is no one to inspire young people to set up social enterprises, a social enterprise building is just that—a building, without a heart. The last Government made a helpful intervention with opportunity areas in many of these deprived places, but unless they are given a reprieve then these unfortunately are soon to finish. One way or another, we need to see a much more determined focus on improving school results for these children. Focusing Department for Education civil servants and money in these areas might be a start.

I finished by congratulating the Government on their investment plans for infrastructure, but I urge them to follow up on their levelling-up commitment and to ensure that there is a genuine long-term impact on the places that need it most.

6.31 pm

Lord Brooke of Alverthorpe (Lab): My Lords, I am grateful to the Minister for introducing the debate and for what he had to say about growth, about which I will say a few words. To use his phrase, he felt that the Budget had seen beyond the immediate problems that face us.

I think the Government are doing their best in difficult circumstances, and I wish to support them as best I can. There are areas either that they have overlooked or where they have made mistakes, but they seem to be moving quickly enough to speedily resolve some of those difficulties. For example, on rentals it immediately hit people that we needed some movement there, and it will be very interesting to see what they come up with.

It is important that politicians try to come together if they can. This is probably the most difficult time that any of us have experienced where the nation has been faced with such grave challenges. I know people who are virtually having meltdowns through fear and having panic attacks about what is happening. It is therefore important that we as the leadership should endeavour to speak sensibly and calmly and reassure people, rather than frightening them by constantly engaging in attack.

No one knows all the answers; the Government do not have them, nor, I suspect, do my friends in the Green Party, although I must say I agree with an overwhelming amount of what they are saying. It is important that we take our time over this issue and have a look to see just where we are. This House is particularly able to do that. We had three quite important debates last week that made us look to the future: a debate on the green economy, a debate on well-being and the debate of the noble Lord, Lord Bird, about relationships with the younger generation, on which I think we should be spending more and more of our time. So we had that run last week and now we have this debate today.

[LORD BROOKE OF ALVERTHORPE]

It is important that we look at some of the fundamentals behind this issue. Why do we have it now? Are the Chinese to blame, or is this something that is happening around the earth for which we all, in different ways, have some responsibility? We are already talking about getting back to our pursuit of ever more non-stop growth as quickly as we can, but we really are at a point where we have to start questioning the nature of the growth that we have. Perhaps we need some growth but in a different direction entirely from that which we have produced in the past. I hear from friends in business that the factories in China are now back and waiting for orders, waiting to start producing the trash and rubbish, much of it, which we have been calling on them to produce at low prices and which we then discard so quickly, harming the planet in the process.

We all have to accept a degree of responsibility for where we are. What faces us at the moment is part of a piece of what we have witnessed over the last two to three years, with the famines, fires, flooding and the list gets ever longer about the pestilences that come our way. We need to start realising that we are relatively powerless. In spite of the size of our brains and intellects, we are powerless when we come up against the real power in the world—the power of nature and of the Almighty behind that. This is not the kind of thing that people talk about easily these days—it embarrasses people—but that is the reality we face at the moment. It is a very different set of circumstances to anything we have seen for a very long time. There is an opportunity for positive change within this. The important thing is that we have to work together to get that change.

I was disappointed that the Budget did not look far enough down the line. I pick up the point from the noble Lord, Lord Skidelsky: this will have to be paid for in future. It is wrong that it is again the young who will have to pick up the tab rather than the older in society, who in many ways are responsible for some of the problems we currently face. I hope we can look to start now with some changes. Why did we not reimpose the regulator, the duty RPI link, on fuel? We have seen that the price of fuel has collapsed with the fight between the Saudis and Russians; it has dropped down from £1.35 to £1.26 or £1.27. It is the perfect opportunity to reintroduce the escalator, which we need. The Conservatives know that prices count and that people's behaviour is changed and governed by pricing, so I ask the Government to look again at the decision they took last week to fail to move on it.

I will not mention what the right reverend Prelate the Bishop of Rochester said about duty on alcohol; people have heard me go on about this before. We have so many ill people, and here we are reducing the price of alcohol so that they will become ill. This is the kind of living we are talking about—living longer, yes, but living unwell. We must seek to effect changes there. Underneath all that is the sugar tax, which was not even mentioned. We have major problems in our society with obesity and its costs. We should look at the sugar tax and see whether it should be extended and widened beyond what it is already operated on.

There are things we can do to make sure that in the long term we are preparing for a different, better society than the one we have. I hope the Minister will take some of those points away and maybe respond in his reply.

6.38 pm

Lord Maude of Horsham (Con): My Lords, I draw attention to my interests in the register, including as co-founder of a start-up with my noble friend Lady Finn.

It is a great pleasure to follow the noble Lord, Lord Brooke. He and I had dealings some 30 years ago when I was Financial Secretary and he was leading the Inland Revenue Staff Federation. He was calm, courteous and moderate then, as he is in your Lordships' House today. Thinking about that time, it was said after the Chancellor's Budget last week that this was the biggest fiscal stimulus since the Budget in 1992, introduced by my noble friend Lord Lamont. Looking at the Red Book from that time, issued in my name as Financial Secretary, my noble friend reminds me that the fiscal stimulus then amounted to some 0.25% of GDP, whereas last week it was a heroic 1% of GDP.

Of course, that has been made to look nugatory in the face of what has happened since then because that Budget inevitably has been very much overshadowed by the necessary and desirable response to the intensity of the Covid-19 crisis. This is troubling for a fairly unreconstructed smaller state, sound money Conservative, but these are utterly extraordinary circumstances and so an utterly extraordinary response is required. Last week, long-term decisions were made in the Budget on investment in infrastructure and spending more generally, while short-term palliative measures were introduced earlier this week. A different approach is required for each, but in both cases, the huge increase in spending makes it more necessary to focus on how the money is spent. I have some general points and some specific ones.

On the general points, our experience from the coalition Government is that a lot of money spent by Government is not spent very well. By dint of applying some disciplines that are commonplace in successful businesses but very uncommon in government, we were able to save from what are essentially the running costs—the overhead costs of Government—some £52 billion over those five years cumulatively, one year added to another. Some of the reforms we introduced persist, some have advanced, while others have regressed, and I am delighted to see that the role of my noble friend the Minister is to accelerate those reforms. It is necessary for him to be successful because it is his job to ensure that public money is spent well. It could be easier than it might have been because it has been shown that it can be done. However, it will be more difficult because when there is a sense that the sluice gates have been opened, it is tougher to persuade the spending Ministries to accept the centrally imposed disciplines that are essential to drive the effort successfully. I wish him every good fortune in the task he has taken on.

I come now to what we all hope will be the short-term measures that have been introduced to address the effects on the economy of Covid-19. We do not know what they are yet, but they will be severe in the short term, and immediate. One of my daughters had a part-time job in the hospitality sector while she undertakes a course of study, but she no longer has that job. There will be many people in those circumstances. She is being protected by the Bank of Dad, but many more

are not in that position. The effects of all of this are very immediate. Further, while this may be surprising in view of what I was saying earlier, it is important that the Government should not be too fussy about trying to ensure in advance that all of the money is spent perfectly. It will not be because speed trumps everything else in this regard and getting the money out of the door.

How should that be done? A number of noble Lords have spoken of increasing the amount of leverage, the amount of debt in our economy, which is a real and genuine concern. I have a great deal of sympathy with the argument made by the noble Lord, Lord O'Neill, about whether this is the moment to print money. Some 30 or 40 years ago, that would have been anathema to us all, but we have seen in the response to the global financial crash that quantitative easing—printing money, as we used to call it—did not unleash inflation in the way that we feared. I think I heard the noble Lord say on the radio earlier this week that if we suddenly see a burst of inflation, that would be a quality problem for us and we could deal with it.

I have a couple of questions for the Minister about the measures that were announced a couple of days ago. On insurance, we have heard different things about the effect on business. Will those who have cover for these circumstances be able to claim on their normal business interruption insurance? An answer on that would be welcome.

What of the economy as we emerge from this crisis? There will be effects, and some of them may not be bad. As an economy and as organisations, we should be much better at organising and managing people remotely. There are huge benefits if more people work from home, which means being more sophisticated in how they are managed, managing them by output rather than by presenteeism. That can be a massive boost to productivity if we learn the lesson well of making a virtue out of necessity.

We used to talk in the coalition government about the big society, and we were sometimes mocked for that. However, the reality is that while the Government have an absolutely indispensable role in addressing the challenges that come out of this dreadful crisis—this dreadful virus—there is an enormous amount that people can do, such as working with each other in organisations, supporting each other, although less so physically. Thank God for the internet and for the connectivity that enables people to support and connect with each other without being physically present. The damage that would be done without that would be intensely worse. Therefore, there are potential benefits to come out of this. These are dark clouds indeed, but let us make sure that when the silver linings emerge—they may just be flickering—we do not waste them.

6.46 pm

Lord Desai (Lab): My Lords, the one joy of speaking in a Budget debate in your Lordships' House is that social distancing is not a problem. I have been sitting here, not in spitting distance of anybody. However, let me say this: rejoice! We seldom have such a beautiful crisis. This crisis is not caused by anybody's bad behaviour. It is not caused by debtors' behaviour or dubious mortgage equities or bankers' bonuses. It is a purely

exogenous black swan shock, and it is so big that it is totally global. Of course, whoever originated it in the backstreets of Wuhan, its spread is due to globalisation—due to the ease of movement. In one sense this is in fact a great opportunity. I am sure that right now, Greta Thunberg is the happiest person in the whole world, because all flying has stopped and people have stopped travelling—they have to sit at home and do nothing. Wow! Climate change will finally be tackled if we go on like this.

Before I go on to weightier matters, we have had in this debate one specific radical idea, which was articulated by a number of noble Lords, including the noble Lords, Lord O'Neill and Lord Skidelsky, and of course it is also part of the Green Party's programme. I declare an interest: I have been going on about a citizen's income or basic income for well-nigh 30 years. This is the opportunity for us to institute a temporary citizen's income. In a sense, given the supply shocks and all the uncertainty, we do not know who will be deprived of income and for how long. Instead of people worrying about sick pay—there are all sorts of things they should be worried about—a citizen's income should be given to everyone on the electoral register. It need not be a large sum of money; I am always rather thrifty, so I would say £100 per week for everybody on the electoral register until such time as the Government decide that things have returned to sort of normal. Okay, if you want to make it £200, I do not mind—it is not my money.

With something like that, the universality is important. In universal credit, which is a disgrace—I will not go into that right now—there are too many side conditions that people have to satisfy to qualify for a benefit. That by itself ruins the good of the scheme. The thing about a basic income or citizen's income is that everybody gets it by being a citizen; it is like the right to vote. Right now, it would do a tremendous amount for a lot of people at least to have pocket money—especially, for example, women who are not part of the labour force. Anybody who is not part of the labour force will still get it.

I urge the Government, since they are in a spending mood, to let the Chancellor come tomorrow and throw another £20 billion or whatever the sum is at this. That money will go a long way and will plug a gap in the system.

Having said that, let me say that British economic politics are a battle between either 35% or 45% of GDP being spent by the state. If you look at the data for the last 50 or 60 years, it goes between 35% and 45%. The Conservatives want to be near to 35% to 40% and Labour wants to go a little further, but there is not much in it. If your income is down, then the proportion is high, but actual expenditure is not very much. People go on about austerity, and my noble friend Lord Brooke challenged me to own up to the fact that I supported austerity—and I do. I was the only person in Parliament to sign a letter to the *Sunday Times* on that back in February 2010. I do not want to defend myself, because it is a hopeless task, but I would say that if you look at the Budget Red Book—tables 1.2, 1.3 and so on—the proportion of GDP spend between 2010 and 2020 was higher than 40% every year, and

[LORD DESAI]

was higher than the proportion of GDP spent in the 10 years of the Blair Government. In a sense, these are proportions, so I am slightly cheating. If you look at the employment numbers in chart 1.3, employment has grown throughout, as the noble Lord, Lord Skidelsky, was saying, and we are right now in full employment—in the last year of austerity. Those numbers are to be taken with a pinch of salt.

I became a balanced-budget ayatollah way back when the Conservatives were in power and the noble Lord, Lord Lawson, gave a double mortgage concession after winning the election. I thought it was ridiculous; why should anybody give tax concessions after winning an election? You do it before. Anyway, then we had a recession. I believe in balanced budgets when balanced budgets are important and in deficits when deficits are important—horses for courses. I will not resilite from that.

To return to the present crisis, we are back to Butskellism—thank God—and now it is a compromise where the Conservative Government are willing to spend money when there is the necessity to spend money. I had been saying before the coronavirus problem came up that this was a very good time to borrow money, because interest rates were low—so therefore borrow as much as you can at a low rate of interest. Interestingly—I think I have spoken for too long; I will sit down—we had excess savings in the global economy, and, with coronavirus, that excess saving will be mopped up by Governments. Perhaps we may reach equilibrium faster than we otherwise would have.

6.54 pm

Lord Northbrook (Con): My Lords, it is always a pleasure to follow the interesting and entertaining viewpoints of the noble Lord, Lord Desai. I will talk first about the post-Budget emergency economic measures. Following the example of France and Portugal and the USA's proposals yesterday, the Chancellor stated that he would do whatever it takes to get businesses through these difficult times. He unveiled a package of major assistance for companies and individuals: the £330 billion loan guarantee support and the £20 billion business assistance help—they are astonishing figures. I approve of the way the Chancellor said that:

“This is not a time for ideology and orthodoxy.”

First, I welcome the loan assistance package, with separate schemes for larger and smaller companies, but note other noble Lords' concerns about the delay in banks processing these. For individuals, I commend the Chancellor's decision to suspend mortgage payments for three months for those in difficulty. Secondly, I agree with the Government helping with companies' fixed costs, again particularly with the larger and smaller company schemes regarding business rates relief, and with improved cash grants for smaller companies. Thirdly, I welcome the proposal to look at regulatory relaxation in sectors such as transport, airlines and airports. Finally, on these extra measures, I await the

“bold and ambitious employment package”,

which the Chancellor pledged to establish, having made a start with more generous statutory sick pay proposals.

I agree with many noble Lords that much more needs to be done. I was fascinated by the idea proposed by the noble Lord, Lord O'Neill, of helicopter money, which was supported by my noble friend Lord Lamont and the noble Lord, Lord Adonis, and put into historical perspective, regarding its use by other countries, by the noble Lord, Lord Razzall—I agree that there is less risk of inflation in doing it now. I agree with my noble friend Lord Leigh of Hurley that another simple route would be through the PAYE system.

I turn to the Chancellor's original 2020 Budget, which I also welcomed. Even before such difficult circumstances, a different approach had to be taken after the election, especially to thank constituencies in the north and Midlands that elected Conservative MPs, wanting a new approach to improve their neglected infrastructure and business prospects. On monetary policy, I welcome the 0.5% base-rate cut, which is always a necessity in difficult economic times.

Moving on to fiscal matters, the Budget's economic forecasts are now history, as the OBR's estimates were completed before the Covid-19 outbreak really got going. Also, they assume that the Brexit negotiations are going to go entirely smoothly, with a “typical” trade deal with the EU. I ask the Minister to heed well the words of the noble Lord, Lord Adonis, on Brexit negotiation delay.

Economic growth, as predicted by the OBR for the Budget over the next five years, was not very exciting. Clearly, these figures will have to be revised substantially downwards. By way of comparison, the European Commission has revised its estimate for European GDP growth, now expecting a GDP contraction at 1% this year. Apparently—according to the Canadian *National Post*—unpublished internal estimates are more likely to indicate a contraction of 2.5%.

As many noble Lords have stated, the original Budget's big spending boost over the period came in public sector net investment. Public sector spending is forecast to grow at 2.8%, twice as fast as the economy. Public sector net borrowing, excluding yesterday's emergency measures, at its peak increases by 74% to nearly £67 billion by 2021-22. While this is a major increase, it is still a far cry from the huge figure inherited from Labour in 2010. In answering criticism from the Adam Smith Institute and the IEA, I maintain that while interest rates are low, this is the time to do this. Of course, as the IFS stated in its Budget review, the debt hike is vulnerable to changes in interest rates, inflation and economic growth. Obviously, the longer the Covid-19 outbreak continues, the worse the effect will be here. I also note that the fiscal rules framework will be reviewed in the autumn and doubtless tinkered with.

Looking at the figures in more detail, I welcome the initial £12 billion fiscal stimulation package, directly related to the outbreak, with £7 billion going to people and businesses. However, I am worried about liquidity problems for smaller companies; as I predicted, the £7 billion figure had to be expanded considerably due to the outbreak. The other £5 billion is going to the NHS—a good decision.

Turning to longer-term public net investment, I note the huge figure of £600 billion promised over the forecast period for gross public-sector investment but

calculate the net figure at £451 billion. Can the Minister let me know about the major components that must be deducted to get to £451 billion? The big public investment figures mentioned for investment, R&D, new roads, the affordable homes programme, improving broadband, potholes, 70,000 new houses and a new building safety fund are all welcome, as long as they are properly implemented.

In other departments, I welcome the extra £6 billion of regular funding for the NHS, noting that it is in addition to the extra £34 billion over five years. I also welcome the announcement that the Government will give the NHS whatever it needs to fight the Covid-19 outbreak. Regarding the further education sector, I am sure that the Minister is as pleased as I am to see the further new capital promised to improve the condition of the further college estate. On the transport sector, I welcome the money to be invested in the transforming cities fund.

In summary, the OBR said that

“the Government has proposed the largest ... fiscal loosening since the pre-election Budget of March 1992”.

All this money needs to be well spent.

7.01 pm

Lord Judd (Lab): My Lords, I evidently failed to register my strong interest in this subject by not putting my name down to speak in this debate, and therefore I am grateful for the opportunity to speak in the gap.

Of late, we have heard an awful lot about having more people in work than we have ever had before, but we have failed wantonly to look at the nature of much of that work and the conditions of employment that go with it. The vulnerability of many people between their work and the abyss that awaits them is frightening.

We have also had too much ideology in our approach to politics and economic management in recent years. This debate and this situation bring home to us that we need a reassertion of humanitarian and economic pragmatism in fulfilling our objectives. There is just no room for bigoted ideology.

This morning I have been in touch with the chief executive of Hospice at Home West Cumbria, of which I am a vice-president. She is disturbed about how the present situation is making it very difficult to raise the public funds that are essential to provide for the work of that organisation. That must be typical of many charitable organisations across the front line, which become part of the indispensable fabric of our social infrastructure. Can we have an assurance from the Government that, when they are looking at industry and the big institutions, they will look also at the charitable sector and the support that must be provided at this juncture?

7.03 pm

Lord Naseby (Con): My Lords, I appreciate the opportunity to say a few words in the gap, arising out of phone calls that I made last night.

First, a number of noble Lords will know that I was Member of Parliament for Northampton. The answer that I got from those phone calls was, “Michael, wake up. Demand has collapsed. Cash flow is at a critical point. We recognise what the Chancellor has done on

business rates, and well done him, but there are two other problems—VAT and national insurance—and we need some help in that area.”

Secondly, we are not good at communicating to people in business what the Government are doing. I had the privilege of doing all the advertising for the COI on the three-day week. Every day there was different copy in every single national paper and all the trade papers. I say to my noble friend on the Front Bench that we need to communicate to reassure all people in commerce and trade about what is happening. That includes the trade associations, along with the chambers of commerce and chambers of trade and so on.

My third point, on which I will finish, is that I have the privilege of being president of Northamptonshire County Cricket Club. The sporting world is our next problem. You have only to look at what is happening in football, with people playing and nobody watching. Rugby is in the same situation. All those clubs are in potential financial difficulty. Cricket is due to start next month and after that will come tennis. I say to my noble friend on the Front Bench: please get the Minister of Sport involved now so that some anticipatory work can be done to ensure that those great sports, which our whole nation likes to watch, can start on time and not be in financial crisis.

7.05 pm

Baroness Kramer (LD): My Lords, as the first of the wind-up speakers, I can say that I have never before spoken in a debate where there is a unanimous view. Unfortunately, that view is that we are in an economic emergency. It is quite extraordinary; these are not normal times. The usual test for any Budget, including the typical measures of fiscal prudence, are, frankly, out of the window. When the noble Lord, Lord Maude, accepts that as the appropriate view, the Government have to understand how strongly not just this House but almost anyone who has looked at the situation feels.

The Government and the Chancellor announced a huge and significant package yesterday to support the economy. That is genuinely welcome, but it is my view—and, I suspect, from listening to the House the view of many—that the Government are still clearly running behind events. Much more is needed, especially speed. My noble friend Lord Oates raised that issue, but we heard it again and again, including just now from the noble Lord, Lord Naseby. People need cash and they need it now.

Many of the programmes being proposed will struggle to deliver that kind of cash in any kind of timely manner. We have had proposals from the noble Lord, Lord O'Neill, for a people's QE. The noble Lord, Lord Desai, joined the Green Party in proposing at least a temporary basic income, as did my noble friend Lord Bruce. We have had proposals from the noble Lord, Lord Leigh, that we use the PAYE system and from others that we use the national insurance system in a sort of reverse mode to get cash out rapidly. It will be challenging to use any system that is not already in place, because we need cash to flow in the next few days. Although there is fertile opportunity for new

[BARONESS KRAMER]

ideas and new thinking, at this point we need to use something that can absolutely deliver and be implemented very quickly, if not instantly.

I am concerned that the Government have put so much of their support for businesses into commercial paper—which is effectively QE—and bank loans. I hope that they understand that many businesses of every size in the severely impacted sectors will need years to repay the debt that they accumulate during this crisis. It is a crisis of not weeks, but at least months; it could run longer. Some will not be able to repay and others will find that the debt burden will completely compromise their ability to invest and grow when the crisis is over. I hope that we can hear from the Minister that there is a willingness to rethink that balance of loans to other kinds of direct support, perhaps not in the heat of this week, but certainly in the very immediate future.

However, none of the measures that have been announced will be a solution for the hardest-hit sectors. I know that the Government have said that they will step forward to deal with the problems of, for example, airlines and airports; their crisis is so extreme. We have to face the fact that taxpayer bailouts will be required. Deciding how much to protect shareholders at taxpayers' expense will be genuinely difficult. As we look at those most vulnerable parts of the economy, may I ask the Minister about the wholesale financial markets? I am really concerned that we could have spillover risk into those markets. As we know, the consequences are very widespread when that happens. We have all said that insurance companies must step up to make good on business interruption insurance. I agree, but how resilient is the commercial insurance sector as a whole? Remember that the UK is an insurance provider to companies across the globe. Those consequences worry me a great deal and I hope that the Minister can say something.

Central counterparties, especially the clearing houses—obviously we have the London Clearing House locally—clear most of the world's interest rate swaps. The current stock on a day-to-day basis is something in the range of \$30 trillion-worth of swaps. How resilient are the CCPs in a crisis such as this?

I cannot believe that the collateral quality has not been compromised. Any kind of failure in CCPs will, frankly, make 2008 look like a picnic. I really would like some answers and some reassurance.

We all agree that companies need money quickly. The big companies will be able to get their money quickly, because the Bank of England can turn on its new commercial paper facility very fast. As we have said, it is a sort of QE equivalent. The noble Lord, Lord Adonis, said that perhaps we need to attach conditions to those commercial paper facilities to make sure that they are used to support jobs. I am not quite sure how we could do that, given the nature of the commercial paper market; if anybody can come up with innovative ideas on how to do that, I suspect a phone call to the regulator would be called for. It will be very hard to ensure that the money goes exactly where we want it to. That does not mean that we should not do it, but we need to be realistic. Smaller companies, however, will have to turn to the high street

banks, and I do not understand how the usual hurdles and complex approval processes will be speeded up sufficiently. As we know, businesses need money now.

If I heard correctly, alternate lenders are not included in the Government's loan guarantee scheme, but they are typically faster and more flexible than banks, and have become a significant component of lending to small businesses and, equally importantly, to the self-employed. During the coalition years, my colleague Sir Vince Cable was able to route money far more rapidly to small businesses and the self-employed through the alternate lenders. Will they be included in the scheme?

The grant scheme and business rates holidays for small businesses in retail, hospitality and leisure are crucial and welcome. However, I point out that the grant excludes many very small businesses in London—because the rateable value of London property is so high, they do not fall within the scope of the scheme. I hope we can get some comments from the Minister on that. As the Chancellor explained, these grants in their amount are targeted to make sure that small businesses can pay their rents. The money is not intended to also cover wages. Many businesses, not in the named sectors, are having similar problems and, frankly, there is nothing in the way of grants for them. Can the Minister respond to concerns on both those fronts?

Are measures being taken to make sure that big companies pay their supply chains properly? Their instinct in a crisis is to do quite otherwise. Can the payments regulator be given greater powers to force prompt payment?

The Government tell us that they are discussing employment support schemes with the trade unions and others, which is good. Will the Minister look at the proposal from my colleague Ed Davey to guarantee that every person made redundant will receive at least 20 days' full pay, guaranteed by the Government? People are being laid off as we speak, and a message like that would make a dramatic impact; it is clear, simple and easy to understand.

We must have action for the self-employed and those working in the gig economy. Frankly, I do not understand why we have not heard measures that will tackle this sector. Employment support allowance and universal credit will never keep most families afloat. The fragility of self-employment should have been tackled long ago; we need successful, flexible working in the 21st century.

I will say one good thing for the Government: at least they have listened to the urgings of many in this House—the noble Lord, Lord Forsyth, who is not in his place, has been an absolute star on this—and agreed to delay for a year their changes to IR35. I hope that they use that year to have a complete rethink, and drop those plans to pursue reforms that deal with employment rights and not just tax revenues in the self-employed sector.

The Government simply must use this opportunity to remedy the two greatest travesties within universal credit. First, the five-week wait is intolerable. I know from talking to people who are dealing with this that paying back the five-week advance loan, even with a

longer repayment period, leaves people living for months at just above destitution. The most reverend Primate the Archbishop of Canterbury and the noble Baroness, Lady Lister, made very powerful points about that. Secondly, the right reverend Prelate the Bishop of Rochester underscored that the two-child benefit cap has to be removed. Many families will be turning to universal credit for the first time in the Covid-19 crisis, and will be horrified that the two-child cap on benefit levels does not enable larger families to put a proper meal on the table. That is quite deliberate and by policy. Indeed, with so many children dependent on free school meals in order to eat, we will need an emergency scheme when schools close, as many people speaking today have underscored.

There are many other gaps, such as renters and food banks. The noble Lord, Lord Naseby, highlighted the crisis for many charities and not-for-profits, while homeless people cannot be left on the streets but equally cannot be put into dormitory-like hostels. Perhaps the most crucial gap, which others such as my noble friend Lord Razzall and the noble Baroness, Lady Lister, have addressed, is social care. Where was social care either in the Budget or in yesterday's announcement? Even Jeremy Hunt now admits that social care was slashed too far by the Conservatives, but in this pandemic social care is carrying out the critical task of caring for our most vulnerable while underresourced and with no built-in resilience. The Government must step forward.

I have a few comments about what happens after the crisis—because the Covid-19 pandemic will end. I very much take note of the comments from the noble Lord, Lord Skidelsky, and the noble Baroness, Lady Falkner: we are going to have to start paying. This is the first time when I have heard the noble Lord, Lord Skidelsky, use words that translate to, “There is no magic money tree”. This will have to be paid for. We will be a nation in debt. Businesses will be in debt, individuals will be in debt and the Government will be in more debt than ever. The Government were already planning to allow public sector net debt to soar. I support the additional spending, but refusing to raise taxes in the Budget struck me as extraordinarily irresponsible.

The noble Lord, Lord Livermore, has highlighted the weakness that runs through much of our economy. We will have to rebuild our fiscal position, and that is going to be exceptionally difficult. It is going to require a real willingness to tax as well as borrow. As far as I can see, we are going to have to consider a completely new framework in future because the underlying economy is weak. The noble Lord, Lord Livermore, and my noble friend Lord Bruce, were clear that growth was already forecast to be at an abysmal running rate of 1.5%, held back by friction in trade with the EU and the loss of freedom of movement. The OBR forecast demonstrates that new trade deals with the US and others add so little to the economy that they hardly even register in the numbers. Productivity growth is limping at 0.3%, and all the planned infrastructure and skills investment in the Budget is not forecast to return productivity to its historic—and even then underwhelming—level of 2% until 2030. Business investment was forecast to be continually weak, and that was before coronavirus. Interest rates were low

already, so there is very little cushion for further cuts. QE has been pushed pretty much to its limits and we have now had to take it even further. We face huge costs to tackle climate change because the timetable cannot slacken if we are to avert a catastrophic crisis. Regional disparities are stark. Infrastructure, public services and welfare are underfunded.

This is not a good picture, and it is the reason why I have to say to the noble Lord, Lord Bates, that of course we have to splash the cash now, but we really need to be careful about painting a false picture of the future because that will lead us to poor decision-making. I understand why the Government want to talk about light and joy as soon as the virus passes through because they want to keep up confidence, but we in this House have to be realistic. Every economy on the globe is going to be impacted by Covid-19 so I hope that inside the Government some sober minds are coming to grips with the longer-term reality. This is going to require very substantial new thinking, new frameworks and new directions, and I am delighted that this House will have an opportunity to contribute to that.

7.20 pm

Lord Stevenson of Balmacara (Lab): My Lords, I thank all noble Lords who have contributed to this very good debate, and the Library for its briefing, which was very informative and useful. As a result, this has been a very high-quality debate held against a fast-moving scenario. The noble Baroness, Lady Kramer, just mentioned the noble Lord, Lord Bates. He encouraged us to be optimistic about everything, so I will try to thread optimism in, although sometimes when I have been reading some of the detail, I have been rather depressed by it all.

My noble friend Lord Tunnicliffe said that the timing of this debate is normally such that we reflect on the Budget and on the reaction to it. That is what has made this debate so interesting, as the many excellent contributions today have benefited from such a rich picture.

We have also benefited from having seen how the Government have responded in real time to the economic aspects of the coronavirus pandemic, and many contributions today focused on that. Indeed, the contributions of the most reverend Primate the Archbishop of Canterbury, the noble Lords, Lord O'Neill, Lord Lamont and Lord Skidelsky, my noble friend Lord Adonis and several other noble Lords have broken new ground, which I hope the Minister will take back to his department and prosecute with some vigour.

The main challenge facing the Chancellor, on which I think he was largely successful, was how to make sense of the Conservative Party's new clothes and, in particular, how the end of austerity U-turn was going to be achieved without destroying the Conservative Party's alleged reputation for managing the public finances. What we got, as the noble Lord, Lord Skidelsky, reminded us was a reaffirmation of Keynesian economics. The Chancellor tried to persuade us that his party now has a large appetite for increasing public spending combined with far less appetite to raise taxes and a growth in public sector debt unseen in modern times. Timing is all, apparently. As the Resolution Foundation commented:

[LORD STEVENSON OF BALMACARA]

“The result is a Conservative Chancellor now planning a bigger state than was seen under Tony Blair, financed through higher borrowing than Gordon Brown ever saw as Chancellor”.

The Office for Budget Responsibility described it as the “largest sustained financial loosening” since 1992. So this new Conservative economic policy approach may be a third way in its imitation of some of the tropes of new Labour, but it is certainly not fiscally conservative. Time will tell, and there are enough uncertainties out there to blow even the best-laid plans off course but, as my noble friend Lord Tunncliffe, said, we support much of what has been proposed.

As my noble friend Lord Livermore said, the most recent OBR forecasts were completed long before the widespread domestic impact of coronavirus was clear, but even so they make grim reading. The OECD forecast suggests that the UK economy will grow at 0.8% for the next two years, which will bring the UK’s annual growth outlook down to an average of just 1.2%, the worst average annual growth forecast on record. When he comes to respond, will the Minister comment on those figures?

This Budget reflects the Government’s goal to be seen to turn the corner on the austerity over the decade of the 2010s. Successive Chancellors have been increasing capital spending since 2016-17. Bringing austerity to a close on current spending is new, and very welcome, but the sober truth is that in less than five years the Government’s ambitions have gone from shrinking the state in order to run an absolute budget surplus to growing public spending to almost 41% of GDP and actively aiming to borrow around £60 billion each year. This is the new reality. The good news is that the spending review later this year will therefore be able to apportion day-to-day spending growing by an average of 2.8% a year, well above the rates of the past decade, but it is less than was promised in September last year by the previous Chancellor—4.1% was his figure—and is below the growth rates prevailing in most of the years after 2000, but it is an increase and we welcome it.

According to press reports, overall real-terms, day-to-day public spending per capita will return to 2009-10 levels by 2024-25. However, the figure is more nuanced. As we have heard from others, austerity will continue for many departments, with spending increases being sufficient only to reverse around a quarter of the real cuts per capita in the departments which have not been protected since 2010; that is, those other than health, defence and international development.

The real picture is that the Budget does almost nothing to offset the considerable welfare cuts put in place by George Osborne in 2015. As my noble friend Lady Lister and the right reverend Prelate the Bishop of Rochester said, these factors mean that not only will the incomes of the poorest families fall over the next period, but there is a significant risk that, despite the extra spending, child poverty may reach record levels by the time of the 2024 election.

Perhaps the Chancellor did not have time in his speech, but he did not mention international competitiveness and how the Government intend to address the increasing productivity gap between UK workers and those in the largest EU economies. The announcement of £600 million for new infrastructure investment is good news, albeit

that the figure represents only a small increase on the Government’s existing plans, while some of the money is a reversal of cuts in previous decades. Nevertheless, it will bring public investment up to around 3% of GDP, and we await further details. Can the Minister say when we will finally see the national infrastructure strategy?

The proposed changes to how the Treasury calculates the benefit of infrastructure projects may also benefit lagging regions rather than focusing solely on public projects that are most likely to generate higher returns, which tend to favour those in London. It is hoped that the new proposals will place more weight on projects across the country. But there is no easy fix when it comes to reviving the regions that are lagging. New money for infrastructure projects will go only so far given that renewal also requires investment in better skills, support for business and knowledge networks, strong local public services and local government. When will we see those proposals?

The Chancellor announced an increase in public spending on research and development, more than doubling the current budget. This is good, but the Budget was quieter about using innovation to tackle other societal problems such as adapting to an ageing society and research around the creative industries, perhaps building on the Creative Industries Clusters programme. Can the Minister confirm that there is more to do in these areas?

Small businesses took centre stage as part of the Chancellor’s £30 billion Budget package to deal with the coronavirus outbreak. Increasing resilience in SMEs is crucial to help them overcome major economic shocks and requires bold and decisive action. As research shows, the uncertainty caused by Brexit and the global financial crisis is deeply harmful to UK SMEs. While on paper the Chancellor’s new lending measures seem appropriate in scale, they are very supply-side focused and assume that there will be uptake and demand from SMEs but, as we know from the global financial crisis, uncertainty typically leads to reduced demand. Given that, what about doing more? If these measures prove insufficient, do the Government have other plans such as a reduction in VAT for SMEs? As the noble Baroness, Lady Kramer, suggested, what about speeding up payments to SMEs and giving more powers to the Small Business Commissioner?

I turn now to the coronavirus announcement. A number of noble Lords have said that we have to work together as a country to overcome this threat, so we on this side make it clear that we pay tribute to the work of experts in the NHS and to the Government for their work so far, and we join the Chancellor in saying that we should do what needs to be done to get this sorted. However, as several noble Lords have argued, if we are facing an unprecedented demand and supply shortage shock, are we doing enough? People are being laid off today and thus losing their incomes. Gig economy workers and the self-employed are not getting the support they require. The general sense of today’s debate is that something along the lines of the people’s quantitative easing proposal made by the noble Lord, Lord O’Neill, may be required to ensure that the economy itself is not damaged beyond repair.

I was struck by the suggestion made earlier in the debate by the right reverend Primate the Archbishop of Canterbury and picked up by others that we may lack more of a moral dimension to some of the issues we face. One concern mentioned in the other place was the impact that all this will have on the charitable sector, which faces a bleak future if funding dries up. Have we thought through how we would function as a society if the third sector were not able to function after the end of the crisis? Let us take the recommendation to practise social exclusion. Why is the language being used so vague that those affected—hotels, restaurants, pubs, theatres, galleries and arts organisations—are not eligible to claim on the insurance cover that they have paid for?

As a result, as we have heard, premises are closing, jobs are being lost and the very fabric of our society is being destroyed before our eyes. It is morally reprehensible, but it is also economically illiterate. Take the early announcement to safeguard mortgage payers; no parallel announcement has emerged about those who rent. Housing is vital to survival, whichever choice of tenure you take. Surely, that is morally reprehensible as well as economically illiterate. Chasing loans for SMEs, which will be hard and slow to administer, may also encourage bad effects in a nation which already suffers from a personal debt problem. Is that fair or moral?

I could go on, but I will make just one further point, as made earlier in the debate, about the school closures which we now know are happening. I gather that the Minister has some expertise on this issue. Can he ensure that the wide impacts of this change—particularly as grandparents are apparently being asked not to help out with childcare—are taken properly into account? Free school meals have already been mentioned, but this is also about careers and future employment for older cohorts, as much as it is about learning social skills and growing up in our society for younger cohorts. How will that all be dealt with and by whom? Will it be sustainable and fair to all concerned? This has been a very interesting and somewhat inspiring debate, and I look forward to the Minister's response.

7.30 pm

Lord Agnew of Oulton: My Lords, we have had an insightful debate today and I am most grateful for the many contributions that have been made. I draw some comfort that, in these difficult times, our great democracy shows itself at its best, with some innovative ideas. I hope to tease out some of those in my response.

I will come to the points raised in turn. Many of course related to the coronavirus, so it is right to quickly restate our response. Coronavirus will, in the short term, have a profound impact on this country and, as the Chancellor said yesterday, it is an economic emergency as much as a medical and health emergency. Inevitably, workers will have to leave work to recover, businesses will struggle to access some goods, and consumer spending will slow. Supply and demand will both take a hit. This is an enormous economic shock and it sets a challenge that we must all rise to.

In the Budget, the Chancellor laid down an initial £30 billion package, and this week, in response to the fast-moving situation, he went further, supplementing

that package with a range of extraordinary measures, including £330 billion of loans to help firms cope with their cash-flow problems. The Budget we have debated will likely for ever be remembered as the coronavirus Budget. But it was a Budget of more besides: one that laid down a blueprint for a new decade of infrastructure and scientific investment. This will lead to an improvement in productivity, which is the soundest way to improve living standards in the long term.

I turn to some of the points raised by noble Lords. The noble Lord, Lord Tunnicliffe, and several other noble Lords asked whether we are going far enough. Can we go further, and should we? They included the noble Lords, Lord Northbrook, Lord Stevenson and Lord Oates, and my noble friends Lord Lamont and Lady Finn. I thought it might be useful to quote some of the comments made by the Chancellor of the Exchequer last night, because I hope they will give some reassurance. He said:

“I want to reassure every British citizen, this government will give you all the tools you need to get through this. We will support jobs, we will support incomes, we will support businesses, and we will help you protect your loved ones. We will do whatever it takes.”

The noble Lord, Lord Oates, asked about grants for small businesses—only those that were already paying rates. Matters like this will be put under urgent consideration. It is my understanding that they will not be restricted, but I will certainly write to him to confirm that, and put a copy in the record.

The most reverend Primate the Archbishop of Canterbury raised a number of issues. Perhaps the most important and relevant one, given the announcement that has come during this debate, was that of school closures. I do not have any more detail on that, other than on the one area of free school meals. I have been given a statement, which says simply that we will give schools the flexibility to provide meals or vouchers to children eligible for free school meals. Some schools are already doing this, and we will reimburse the costs. I hope that that will provide some reassurance.

On the most reverend Primate's comments regarding small towns and the decline of retail there, they have been hit particularly hard.

I think we all understand that retail has gone through the most extraordinary revolution over the last 15 years. Part of the levelling-up programme and the commitments in our Budget were to try to get out to some of these poor communities and to inject some more energy and infrastructure into them. One of the initiatives which I am personally involved in is encouraging civil servants to move out of London over the next seven to 10 years. This is an enormous opportunity, because we have a staff turnover rate of about 10% to 12%, and indeed it is higher in London, so there is a real opportunity to do this. I am also the Minister for the Government Property estate, so one of the things I have done is to ensure that break clauses are activated on London leases so that we do not have foot-drag by some departments that do not really want to move out of London. However, I can assure your Lordships that this is an important personal commitment because it is a win for everybody, and it will help some of these towns. For example, I live near Yarmouth, which is a classic example of an area of deprivation.

[LORD AGNEW OF OULTON]

The noble Lord, Lord O'Neill, brought forward the most dramatic proposals today, supported by the noble Lords, Lord Razzall, Lord Bruce, Lord Adonis, and Lord Desai, and the noble Baroness, Lady Bennett—whether you call it “people’s QE” or “minimum basic income”. These are all dramatic ideas, and I am sure that we will hear a lot more about them over the next days and weeks. We have to acknowledge that already in this country we have moved quite a long way towards a minimum basic income, when you think of the minimum wage and what it was even 10 years ago. Indeed, I would say, to the discredit of my own party, that we objected to the introduction of the minimum wage back in 1997, but I believe it was one of the best things that the Labour Government of the day ever did. We have accelerated the increase of the minimum wage over the last few years. In particular, there will be a 6% increase in April. Therefore, that is the start of the journey towards a minimum basic income. We already have working tax credits and, while I know that universal credit is not loved in this Chamber, it is trying to give that kind of opportunity and safety net to those on lower incomes.

However, we also have to remember that all this has to be paid for, as the noble Lord, Lord Skidelsky, said. We already have the top 1% of earners paying something like 29% of all income tax, and we just have to square the circle. Therefore, while I very much recommend and encourage the debate that the noble Lord, Lord O'Neill, suggests, we have to work out how it will work. Maybe, as he suggests, it will be for a few weeks, so that people have that certainty—but, again, one of my other concerns is the hoarding of the cash.

Lord O'Neill of Gatley: I apologise—I am not sure of the appropriate convention. We do not have weeks to have this debate; we need to act now.

Lord Agnew of Oulton: It is worth reassuring the noble Lord that we have acted pretty quickly. When you think where we have come over the last six or seven days, I do not believe there is any example in the history of modern government where a Government have reacted as quickly as we have. However, I take on board the challenge, and the noble Lord knows his way around the Treasury better than I do, so I am sure he will use his influence.

My noble friend Lord Lamont quite rightly makes the point that our borrowing costs are again at a 300-year low and that this provides opportunities. Indeed, with the current rate of inflation, we are borrowing at a cost below inflation, which provides some palliative to the very difficult situation that we face. That has partly reassured the Chancellor in his recent announcements. What will happen? The noble Lord, Lord Skidelsky, thinks that we could end up—

Baroness Kramer: I should have said this when I spoke, so I apologise. While we have very low interest rates, because of QE a heck of a lot of that debt is being held by the Bank of England, so in a sense it is almost circular. It is not quite as benign as it looks on the surface.

Lord Agnew of Oulton: I do not like debt at all, so I accept what the noble Baroness says. We have also not had a proper drains-up on the impact of the original

QE 10 or 12 years ago. It seems to have enriched the rich—those with assets—but what did those at the bottom end of society get out of it? Also, the question no one has ever been able to answer is: what happened to all the money? Did it stay in the British economy? One figure I was given is that at least a third of it just disappeared completely. So I am certainly not in favour of another one of those kinds of QE.

Turning to the noble Lord, Lord Hain, I am afraid that there is not a lot I can agree with in his statements. He seems to think that there is a magic money tree, and seems to have forgotten that we inherited a budget deficit of 10% in 2010. As a huge Europhile, he seems to forget that the EU has a 3% ceiling on its budget deficit levels. We have had to bring that down, and it is one of the reasons why we have more flexibility in the current days to do some of the dramatic things that have been announced by the Chancellor.

Lord Hain: I do not believe in a magic money tree. I believe in Keynesian, investment-driven economics, which is what we should have been doing for the past 10 years instead of this needless, destructive austerity.

Lord Agnew of Oulton: I disagree that we have had needless, destructive austerity. For example, we have created some 3.5 million jobs over the past 10 years, and until this crisis hit us in the last few days we have seen steady growth in earnings over the last year to 18 months. We are probably never going to agree, I am afraid, but let us at least put our points of view on the record.

The noble Lord, Lord Leigh, asked for faster action. I think some of the points he made on liquidity and the relaxing of insolvency laws were well made. I will certainly take those back to the Treasury. If he has any more information on that, I would certainly be interested to learn about it.

In relation to entrepreneurs’ relief, the noble Lord, Lord Leigh, and the noble Baroness, Lady Finn, were disappointed that we had increased the tax rate. But it is worth pointing out that the capital gains rate is 20% and it was reduced from 28% in 2016. It is hardly a rapacious rate of tax. I would be surprised if that put entrepreneurs off. We all have to pay our share of tax.

The noble Baroness, Lady Jones, said we were tinkering around the edges. But to announce within four days 15% of GDP as a bailout to the economy—I just do not accept that that is tinkering around the edges. As I said when I quoted the Chancellor at the beginning, we will continue to do more. This is a very fast-moving story and we are not going to sit idly by.

It was a rare moment of sunshine to hear from the noble Lord, Lord Bates. I share some of his optimism. Perhaps I am foolish and your Lordships will be able to berate me in six months’ time, but I think we will come through this as a stronger society. I think that sometimes an event such as this gives people pause for consideration about how things work. I am not as gloomy as many noble Lords were in the debate today. Indeed, just as I sat down earlier, I had a text from someone who says that there is already a possible vaccine being tested in Japan. I have no idea, but I think we have a good chance of finding a vaccine sooner than in previous

outbreaks because the science has moved on so quickly. I read two weeks ago that they had already decoded the DNA of this virus within a few weeks of it becoming known in China. Last time with SARS and so on, this took months. I am probably putting my credibility on the line here, but a little bit of sunshine cannot go amiss.

The noble Lords, Lord Bruce and Lord Adonis, were worried about the EU. I gently and quietly remind them that we had a general election which put this absolutely fair and square to the electorate and, against the wishes of the vast majority of this House, and indeed many in the Commons, they gave a resounding thumbs up to what we were trying to do. What is going to happen now, I have no idea. But I do not think it should be used as an excuse to try to get us back into the EU.

The noble Lord, Lord Adonis, also asked about international co-operation. Of course, this will be extremely important. I hope he is reassured by our changes to the emergency government structure, which were announced yesterday. We have created four strands: health and social care; public services; economic; and international. We are very aware that this needs international co-operation. We have to be realistic, though, that in the next few weeks countries are going to be looking out for themselves. That is the brutal reality when supply chains have been broken and we are not able to get the things we want because other countries will want to keep them. Likewise with the closing of borders—that is an extraordinary thing for the EU to have done. That goes against all its principles, but it has reacted in a perfectly rational way. We have to accept that that is going to be the case over the next few weeks, but I think there will be a mammoth effort to come up with a vaccine and that will be a worldwide endeavour so I remain optimistic that it will prevail.

The noble Baroness, Lady Falkner, worried about prudent levels of debt and—like the noble Lord, Lord Skidelsky—that there is no free lunch. The noble Baroness, Lady Kramer, raised this at the end when summing up. We will just have to see what happens. I am not trying to duck the question. As a person about half my age said to me a few years ago—

Lord Desai: There is this obsession with debt levels and the ratio of debt to GDP, which is a mistake because debt is a stock and income is a flow. The thing to do is to compare income with the cost of servicing the debt. If the cost of servicing the debt is reasonable, we should borrow. Everybody who holds a mortgage knows that it is a large proportion of their income, but if you can service the mortgage you are all right.

Lord Agnew of Oulton: I do not fully agree with the noble Lord. Most people who have a mortgage do not increase the amount of the mortgage every year when they get a pay rise. A country needs to be mindful of that and not do the same.

A number of noble Lords, including the right reverend Prelate the Bishop of Rochester, the noble Lord, Lord Razzall, and the noble Baroness, Lady Lister, are worrying about social care. It is perhaps worth just summarising some of the things we have done over the last year or so. Over the last three years, between 2017-18 and 2019-20, we have cumulatively given councils access

to up to £10 billion of dedicated additional funding for adult social care; we are increasing the funding of that next year.

The noble Baroness, Lady Bennett, talked about the bailout of the banks in 2008 and 2010 as though we should not have done it. It is worth just putting it back on the record that if we had not done it, the whole system would have ground to a halt. We would have been plunged back into the dark ages, which would have been great for our carbon but not for the millions of people who rely on a functioning economy.

Baroness Bennett of Manor Castle: For clarification—perhaps I was not clear—I said that we should not have made the people, particularly the disabled, poor and young, pay for the bailout of the banks.

Lord Agnew of Oulton: To reassure the noble Baroness, most of that burden will have fallen on the higher-income taxpayers, as I alluded to earlier. Something like the bottom 60% of taxpayers receive more in services from the state than they pay in tax, so I do not feel that they took an unfair level of the cost of that bailout. Of course, the banks continue to pay an additional levy over and above corporation tax to try to bring about the fairness she alludes to.

The noble Baroness, Lady Finn, is keen—I was not aware of this—on a tidal power solution. We live at opposite ends of the country; I am on the east and she is on the west. If the numbers work, I—wearing my Treasury hat—would be very interested. I have a farm that runs down to the sea; I would love to create a tidal power system there, but I do not think the numbers work. To reassure our Green Members, what is happening in offshore wind is, frankly, extraordinary. There was a contract for difference auction about a month ago—they do them every two years—and the bidding price for the offshore-generated electricity was 32% lower than two years ago. It is the most incredible development. That is why I do not accept the gloom that says that we are not embracing the green economy and decarbonising. We are now creating offshore wind at a price virtually without the need for subsidy. If the noble Baroness can do that with her tidal—

Lord Maude of Horsham: At the risk of prolonging this, does my noble friend accept that one of the reasons the cost of offshore wind has fallen so much is that there was a subsidy that enabled the unit cost of installing it to fall? Something similar could happen with tidal power. This country is uniquely equipped with the natural resource to develop something capable of being exported very widely and generating a UK-based technology that could be of enormous value, as well as a renewable resource.

Lord Agnew of Oulton: My Lords, I am a huge fan of pump-priming. If there is a credible business case, I think it is worth taking the matter back to the Treasury, so I agree with the noble Lord. I am conscious that I am running out of time.

Baroness Finn: My intervention is about the Green Book methodology. The very outdated methodology in the Treasury was mentioned by my noble friend in his opening speech, and I referred to it in mine. I am hoping that it will rebalance some of this.

Lord Agnew of Oulton: That is excellent news. I do not want anyone to think that I am not in favour of it. We as a country have an enormous opportunity to lead the green energy revolution.

I was grateful for the calm comments of the noble Lord, Lord Brooke, and some profound questions about the value of growth itself. The problem is that growth is really the only way to improve the quality of lives of most of our population; the only other way is probably productivity. There is no doubt that this will give us the opportunity to reflect on such things as international supply chains, which have perhaps got too wide and impersonal over the last 30 years. These are the sort of moments when we should reflect on that. He asked specifically about the RPI link on the fuel escalator. The Government are nervous about putting up fuel prices because it is a very regressive tax and hits the less well-off hardest. There is a sensitivity to that; I am sure that it will be kept under review.

The noble Lord, Lord Maude, urged us that the money that we spend should be spent well. My title is Minister for Efficiency so I guess it will land on my lap if we do not spend it well. As other noble Lords have said, the key thing is to get the money out as quickly as possible. He asked about insurance. I think I have something on that which can give clarification. The Chancellor made clear in his Statement that for those businesses that have an appropriate policy that covers pandemics, the Government's action is sufficient to allow businesses to make a claim against their insurance policy.

The noble Baroness, Lady Kramer, asked about the strength of the balance sheets for the insurance sector. It is worth remembering that they came through the 2008-10 crash very well, other than AIG, which was not really an insurance company. I would be cautiously optimistic at this stage. She seems to know about the financial sector; it has two layers above it: reinsurance and retrocession insurance above that. At this stage I would be reasonably confident but, again, this is a fast-moving picture.

The noble Lord, Lord Northbrook, if I heard him correctly, asked a question about the difference between the £451 billion and the £600 billion. The difference is depreciation; the net investment is the £451 billion. If he needs more information, he can by all means let me know. The noble Lord, Lord Judd, asked about a commitment for the charitable sector. I entirely agree that charities are often the hidden battalions helping some of the most vulnerable people. If he feels that they are not being given the focus that they should be, again, I hope he will let me know.

The noble Lord, Lord Livermore, asked about the distributional impact of the Budget. He claimed that the poorest came off worst but, in the spending round of 2019, we announced the fastest planned increase in day-to-day departmental spending for 15 years. Of course, it is those at the bottom of our society who benefit the most from our public services.

The noble Lord, Lord Stevenson, asked about the national infrastructure strategy. Yes, I am afraid it will be delayed. I do not know whether I am allowed to say this—it will definitely not happen now, anyway—but we were going to try to slot it in the middle, between last week's Budget and the spending review, probably in July.

It is perhaps worth pointing out that, in the Budget, we put some more beef under the IPA—the Infrastructure and Projects Authority—which is the key organisation in ensuring that, we hope, a lot of the spending on infrastructure is done in a controlled and effective way. I think I am running out of time.

Lord Adonis: I want to ask the noble Lord something about the key issue raised by the noble Lord, Lord Lamont, and me. Could the £330 billion of coronavirus-related loans to keep companies going be made conditional on employment being maintained?

Lord Agnew of Oulton: That is an extremely good idea. I will certainly take it back to the Treasury, where we will investigate it.

Lord Tunnicliffe: If the Minister is going to write to individuals, will he copy in all noble Lords who participated in the debate?

Lord Agnew of Oulton: Yes, of course. I am afraid I have not had time to answer various noble Lords' specific questions, so I will ensure that they are all copied in to my replies.

To sum up, there have been many calls today for the Government to move faster—not just by putting more money into the system but by being ever more restrictive of people's liberty and way of life. Indeed, I was at a meeting with the Prime Minister last night. He said to the assembled group, "Even in the war, we didn't stop people going to the pub." We have to try to bring the country with us as we do some of the most profound things to happen in our lifetime.

I want to finish on a slightly more positive note. For those noble Lords interested in history, it is worth remembering that it was in difficult times like this that the Education Act 1944 was introduced for its Second Reading that January, nearly five months before D-day and nearly 18 months before the war was won. Parliament had the vision then to introduce legislation that would change the lives of young people in peacetime well before we had any sense that we had achieved peace. I hope we will be able to look back on this Budget in 18 months' time and say something similar, but for the whole economy and everyone who lives in Britain.

Motion agreed.

House adjourned at 7.58 pm.

Volume 802
No. 43

Wednesday
18 March 2020

CONTENTS

Wednesday 18 March 2020
