

George Osborne and Lord Daniel Finkelstein, OBE | How the COVID Crisis Will Change the World

Good evening, everybody. I would like to welcome you all back to our Lockdown Open University. We have... over 150 people, I think more, 250 people joining us this evening and they are coming in from all over the world. And I would just like to say a very big thank you to our two illustrious speakers, to George Osborne and to Daniel Finkelstein, and before I turn the floor over to them, I'd just like to say a couple of words and introduce them.

George Osborne is the William C. Edwards Distinguished Visiting Fellow at the Hoover Institution and Dean's Fellow at the Stanford Graduate School of Business. From 2010 to 2016, he served as Britain's Chancellor of the Exchequer, one of the longest periods anyone has held the office. During that time, George was a member of the National Security Council, and from 2015 to 2016, he also served as Britain's first Secretary of State. From 2001 to 2016, he was a Conservative Member of Parliament representing the Cheshire constituency of Tatton in the House of Commons. George is currently the Editor of the Evening Standard, London's daily newspaper.

He's also the Chair of the Northern Powerhouse Partnership, a not-for-profit organisation he created that promotes economic development in the North of England. He is the Kissinger Fellow at the McCain Institute for International Leadership and an Honorary Professor of Economics at the University of Manchester in the UK. He's currently an advisor to BlackRock Investment Institute. In August, 2016, George was made a Companion of Honour by Her Majesty the Queen. He has a master's degree from Oxford University in modern history, and was a Dean Rusk Scholar at Davidson College, North Carolina. He's also the eldest brother of my son-in-law, Theo, which gives him the most esteemed position of being uncle to my granddaughter, Clara Peggy, who is all of three months old. Welcome George and thank you.

And now to you, Danny. Daniel Finkelstein is a prolific writer working as both an Associate Editor and a weekly columnist for The Times newspaper. Lord Daniel Finkelstein's work has seen him nominated Political Commentator of the Year on four occasions. Before working for the Conservative Party, Lord Finkelstein was director of the think tank the Social Market Foundation for three years. Between 1995 and 1997, Lord Finkelstein was Director of the Conservative Research Development, and in that capacity advised Prime Minister John Major. From 1997 to 2001, he was political advisor to the Leader of the Opposition, William Hague, and together with George Osborne, Secretary to the Shadow Cabinet. A member of the House of Lords since 2013, Daniel has advised many prominent Conservative Party ministers. We wish him a hearty mazel tov on his son Isaac's recent bar mitzvah celebrated online during this pandemic. I am now going to turn the floor or the screen over to these two impressive gentlemen to discuss tonight's topic.

And if you have any questions, please won't you message the Q&A? Thank you. So we'll

discuss how the Covid crisis will change the world. Thank you to both of you.

Wendy, thank you so much, and thank you for this opportunity to talk with George. And I explained to my children what I was doing today, they said, "Well, that's just entertainment. That's not work," which is correct 'cause it's always very stimulating to talk to George about anything political. And indeed, we've been on the phone doing that of our own volition just today, talking about some of these topics we're going to talk about publicly, we thought.

George, I wanted to start just by asking you to give us a little feel what it's like for ministers when something like this happens. You've been on the National Security Council, you've obviously encountered these kind of big events. What does it feel like? The responsibility, the need to get things right, the ability to act in real time, to know what you're doing in a novel situation?

Danny, it's good to see you online. Wendy, thank you for having us on the online academy and welcome to my family, I know many of whom are watching in various corners of the world, in South Africa, in New York and in London.

So, so to Danny's question, what's it like if you're in one of these governments? What's it like if you're in the British government, which I was part of. I mean the truth is, first of all, it's physically exhausting. I'm going to start with that because I think, you know, whilst all of us will have had different experiences of the lockdown, the truth is, you know, probably the hardest working people are the government ministers who, particularly the people right at the centre of the crisis who, you know, frankly will have had almost no sleep now for three months, and with no real end in sight.

Because in any democracy, or indeed it's true in a kind of an authoritarian system, all the difficult decisions are elevated up to the most senior politicians, and especially the Prime Minister. So by the time they reach the Prime Minister's desk, they are by definition the toughest decisions that other people have not felt able to take. So they're exhausted. They, second of all, I think, you know, unless they are truly heartless, and I'm not aware of any, certainly in my country, are like that, they will feel a very heavy responsibility to try and get this right and know that this is the moment that's going to define their careers and their professional lives. And then finally, I think, you know, to be frank, they're also thinking, "Can I survive this?"

Of course, there are lots of people whose businesses are struggling and they're worrying about surviving. But if you look at these really big events that probably only happen every 10 years or more, a bit like the global financial crash, essentially no government in the West, with the exception of the German government, survived the crash. And I think in Britain, across Europe, elsewhere in the world, they'll be thinking, "At the end of this all, are we going to be kicked out?"

Okay, well, there's one aspect of it, which has sort of, it's certainly been a big issue in Britain, but it's been a big issue everywhere. You can see it with President Trump in America. It's the

relationship between the science, the scientists, and the government. So there are two sorts of things. One is when the scientists give you advice that you don't want to take, but you think is right, and then an even more tricky thing, what happens if you think their advice isn't right? Have you been in those situations, and how does one, what is the relationship really between this, when they said they're following the science, what does that really mean?

Well, it's a very good question. That you often hear in every country people saying they're following the science. There's no scientist in the world, it doesn't matter how brilliant they are, whether they've studied coronaviruses all their life, whether they won a Nobel prize. There's no scientist that can tell you what is the balance that society needs to take between controlling the spread of this disease and allowing society to operate and the economy to operate. That's not a scientific question. It's a political question.

And I don't mean that in a kind of bad way, in a way that the term politics is thrown around. You know, politics is how we as a society every day and every year balance all the competing interests. And here you have some very strongly competing interests. You do have interests that are also aligned. You know, a sick society isn't going to be a economically healthy society. So in the end, these are decisions for governments. And what the scientists can tell you is what different policies like opening schools or opening shops, or, you know, social distancing on public transport, what they're likely to do to the disease.

But then you have to bear in mind that, A, the science is very new. You know, this is a new virus, although there have been others like it in the past. Its behaviour is unique. And second, scientists disagree, just like everyone else in society. You can have two brilliant scientists of equal repute who will disagree about some of the science at this stage of a new sort of epidemic. And so it's kind of been a real challenge for the government who's kind of balancing all this.

I mean, you know, I had two incidents in my career, much younger actually, first of all, when I was in my twenties, so I was just really a kind of observer to this. We had a disease in cows called BSE, and it jumped the species to the humans, and created a disease called CJD. And the government's chief scientific advisor at the time, this was in the mid-90s, you know, made a projection that he presented to the then Prime Minister that 2 1/2 million people in Britain were going to die of this thing. And, of course, that, you know, terrified everyone and it drove government policy. In the end, although sad as it is, only 140 people, or thereabouts, have died of CJD. So the science and all the decisions upon which the government was operating back in the 90s was wrong.

And that's not 'cause they were bad scientists, it was just like it was a new disease, and we discovered more about it, and thankfully, it turned out to be much less fatal. And then another example I had when I was in the National Security Council, the Fukushima nuclear reactor, if people remember that disaster. And, of course, it was a terrible disaster there, but there was a question of whether it would actually explode, whether it would melt down, it didn't actually

reach that stage, in which case it would infect, you know, radiate very large parts of Japan. And we had a question as the British government, which was whether to evacuate 40,000 or thereabouts British people living in Japan, which is obviously a huge task.

And the scientific advisors to the government were, "It is going to explode in the next 24 hours." And I remember being in the room and, you know, that was not what the Japanese government was saying, and indeed, not what some other European governments were saying. And we, in the end, overruled the scientific advice we had got from the British scientific team because we thought, you know, the panic of trying to evacuate 40,000 people and the fact that many other reputable scientific groups elsewhere around the world were saying something different. That's not to denigrate those who make these calls, it's just to say scientists can get it wrong and they often disagree.

Well, as you know, my wife is a public health epidemiologist and actually some time after the advice that you got ended up being in charge of CJD for a long time. And I know you've spoken to her about it. I know she concurs with you about it. But at the beginning of this, as I was trying to work out about infectious diseases, I borrowed her textbook, university textbook, and I had that to the side of my desk and that turned out to be written by Johan Giesecke.

Johan Giesecke is the Swedish guru, the guru behind the Swedish policy. And I have to say, I'm quite convinced by some of the things that he argues and his basic argument is we're all going to end up in the same position in the end because without a vaccine, in the end, the only way out of this is going to be herd immunity. It's not an object of policy, but it's what we'll do. You can't lock down people forever. And we'd have to do that if we wanted to make the current policy work because there's no end in sight.

That's economically ruinous. I'm quite sympathetic to that point of view, and therefore I would see current policy as simply being about flattening the curve. But we've actually ended up talking much more about trying to eliminate something that I think is hard to eliminate. How close are you to that view?

Yeah, well, I think, this is, of course, what everyone, you know, certainly I expect everyone taking part in this call is thinking about at the moment. What's the kind of risk of catching disease versus carrying on with your life in various forms, seeing your family, carrying on your business, going out and about. The policies of the governments around the world have changed in a rather sort of subtle way.

So at the beginning of this, and I'm going to just draw a quick distinction between the developed world, like Europe and North America, and the developing world and Africa, and obviously many of our participants are in South Africa. So in the developed world, the view was the public healthcare systems, the NHS, the hospitals would be overwhelmed if everyone presented to the hospital with this disease. And then you would have to, as a hospital and as a country, start to make a very, very difficult decision, which did happen briefly in Northern Italy, which is to say to

people coming into the hospital, "Even though if we get you into an intensive care bed, you're likely to survive. Even though if we give you oxygen, you're likely to survive. Even if we get you on a ventilator, you've got a maybe a 50% chance of survival. We can't put you into intensive care 'cause all the intensive care beds are full."

And every government in the West took basically the same decision. I know there are variations of when they did it and to what extent, but they essentially all took the same decision, which was we're going to lock down to stop the healthcare system being overwhelmed. But the idea, and you used the phrase, Danny, flatten the curve, was not to, for those who do the maths, it's not to reduce the area under the curve. It was not to reduce the total number of cases. It was just to spread them out so that people could get the disease at a time when the hospitals were open and available.

I think, in passing, I'm happy to answer a question later about this. I think in continents like Africa, there's a big question of whether this is a sensible policy at all because, in many areas, of course, less so in South Africa, but other parts of Africa, there are no public healthcare systems sadly to be overwhelmed. So it's not entirely clear what the purpose of keeping everyone locked up is. But in the West that was a policy, and now it's shifted, partly 'cause of not just governments but people's own fears of getting this disease to our policy of just trying to not get the disease at all.

And the only way you can be sure of that is stay in a room all by yourself and don't see anyone and do that until a vaccine is invented. But a vaccine could be invented right now. There's an interesting company in the United States that looks like the kind of front runner at the moment, or it could take years, it could take forever. I mean, look at the AIDS, we still don't have a vaccine for AIDS, and a huge amount of money and time and effort and science has gone into trying to find that. So, so the policy has shifted and I think now we have to accept we're going to be operating with this disease for the foreseeable future.

That's certainly a decent public policy plan. And if that's the case, you have to work out how you're going to educate children and you're going to operate your public transport system and you're going to keep as many people in work as possible. We've bought ourselves time because societies in the West are rich enough to do this, we might come onto that. And that would never have happened in previous things like cholera epidemics or the Black Death. Countries weren't rich enough to say to working people, "Stay at home, we'll pay you." People had to go out even if they were diseased to feed their family. So we've bought ourselves quite a lot of time. By the way, we've still got, you know, many more months we can buy.

But essentially, I think we're going to have to learn to live with this disease and accept that people are going to get it, but that they're likely, indeed certain, pretty much, to get good hospital treatment if they need it. As I say, in the developing world, you know, I'm not sure South Africa is the best example, but, you know, I was in Chad, believe it or not, a few months ago, just as the virus was starting and they were shutting down Chad, and, you know, Chad doesn't have a

public healthcare system, so what's the point? You know, your people will get this disease at some point and it's probably better for countries like that that it goes through that country as quickly as possible. And sadly, people will die, but people were going to die anyway tragically of this virus.

So, you know, I think that adjustment is starting to happen, and I suspect everyone in this call, you know, makes their own assessment of their own risks and the risks they're prepared to run and has indeed adjusted their behaviour when they do meet other people and travel outside and so on.

Okay, let's try and talk about what might happen now. Let's start with the more nuts and bolts thing, although it does, obviously, this has a broader strategic implication. Let's start with the question of the economy and its ability, the economy, the ability of Western economies to sustain themselves with no money. One of the reasons why people are quite happy to be locked down at the moment is government's paying 80% of wages. It can't do that indefinitely.

They've talked about doing this in Britain until October, but I can't see, given what we've talked about, that it's going to be over in October. And if we want to carry on anything like the current policy or indeed a policy that suits contacts and trace, it requires a lot of social distancing. That's a lot of economic problems. And then there's a question, you know, people don't want to go back to austerity. So let's talk about, you know, you're somebody who came in, in 2010 and faced the fact the government had a structural deficit.

How would you deal with this deficit? Two parts. One is obviously the debt from this period. That's probably less difficult than the question of what to do about the structural deficit that results from us being structurally poorer.

Yeah, so look, a huge amount of money is being spent by governments, I mean a staggering amount of money. So, you know, double, double, in the space of three months what governments in the West, including the US spent on the global financial crisis over many years. And that, you know, so the US is spending over 10%, the US government is spending over 10% of US GDP, and it is in the market, it's both paying for large proportions of the workforce to stay at home, essentially picking up their wages, and it is lending money to a large number of businesses. So it's money out the door which you may not see back.

And, you know, it is doing that because the Federal Reserve is in the market buying its bonds, and by the way, pretty much everything else, which didn't happen again 10 years ago. So private equity houses, you know, their bonds, their instruments are being bought, for example, in the Fed, something that never happened 10 years ago. So there's a high degree of kind of government coordination between central banks and governments.

And a vast sum of money is being spent. Governments won't worry about that while the central banks are in the market and they may be for a very, very long time. I mean, if you look in, you

know, European Union, the ECB was still basically in the market 10 years after the financial crisis. So there's a huge amount of cash generation going on and the central banks are standing behind the governments. And can that last forever? Well, probably not, although it has to be said that previous fears about other monetary policy experiments like quantitative easing didn't really materialise. So markets are more relaxed and because you've got all of that money going in, essentially, markets take the view that there's a buyer out there, the central banks, and that's why the stock markets have kind of bounced back.

However, over time, fears of inflation will return, fears of central bank independence being undermined will return. And the basic truth will emerge that very sadly, again, all of these countries, including mine, are poorer. They are not as rich as they thought they were. And that will force an adjustment into what you can afford as a country in your health budget, your defence budget, your education budget, welfare budget and so on. And the balance you want between spending and tax. You know, do you want to raise more taxes to carry on levels of spending that you have or are you going to cut the levels of spending?

This is not going to be a crisis that, you know, hits the countries this year probably. But when it turns, and remember, after the financial crash, it started to turn actually a couple of years after the crash in, you know, if you think of it was sort of 2008, early 2009, the worst of the banking crash, the kind of Greek, Italian, Spanish debt crises, they really picked up from 2010, 2011, 2012, '13. So it was few years later. And so governments are going to need kind of credible fiscal plans to reassure markets that they do have a way of making the adjustment that's necessary. It can be done over a long period of time. I think where I'm a little bit more sympathetic 'cause, you know, the issue there is going to be really just getting these very large deficits down. You know, I faced a record deficit when I was Chancellor in 2010, and this looks like being almost double the deficit I faced.

The deficit's how much, of course, you know, extra you're borrowing every year, and it's adding to your stock of debt. I think we can accept that debt levels overall are going to be higher, because throughout our history, things like world wars and other kind of dramatic crises, earthquakes in countries other than the UK, you know, these have added to the overall stock of debt. As I say, this all feels like quite a distant concern at the moment because interest rates are low. Indeed, the British government for the first time in its history had negative interest rates today. It's literally being paid to lend people money, but it will come back in 2023, '24, you know, '22, just further ahead.

And for governments and societies, of course, in that churn of all the money going in from the Federal Reserve, let's say, you know, that might look okay to equity markets, but in the mix, there are millions of people unemployed or load of small or medium-sized businesses failing, larger, some larger businesses getting bailouts, and a lot of social cost. So it might kind of work at a macro level. That doesn't really save, you know, governments and societies from dealing with the micro cost of all this.

Okay, but so one of those kind of talk, part of the talk in this period is what will happen after this war against COVID was what happened after the Second World War, a reconstruction of the global economic and political system that will shift it substantially towards the left. The state will have proven that small government doesn't ensure people.

The argument will have been made for resilience over efficiency. The argument that government, where's the money coming from will no longer be potent because the money could be found as needed. And people can see that. And so for all those reasons, the right will face a much less comfortable and hospitable political thought environment after this is over. What do you say to that?

Well, I think the, I don't think it's a given that after an event like this everyone becomes more socialist, because you would think after the global financial crash in which, you know, banks were seen to be responsible and, you know, people who were apparently sitting at the helm of these institutions got big payoffs, and so on.

The reaction afterwards was the election largely across the West of right wing or centre right governments. And that was completely contrary to expectations at the time. Everyone thought this was the death of capitalism. But the truth was, you know, as the economy gets tougher for people and people start losing their jobs or worried about losing their jobs, or businesses start getting busted, the truth is people sort of start to think, "Well, what can we actually afford? And, you know, I want to an economically competent government that's going to get me into work and keep me in work and and so on."

And, you know, generally in western democracies, the sort of business end of the political spectrum is on the right. That said, for people like, you know, me who's a moderate centre right conservative, you know, the challenge is, of course, this is also fuel to those who want to to shut borders and go it alone. You know, it's one of the kind of tragedies of this crisis, in my view, has been the complete failure of the international system to come up with a response and it was tailor made for an international response, right?

You know, I mean, global pandemic, caused by an act of nature, which the world can come up with a sensible response to. You can agree to cooperate on all sorts of things like vaccine development and can coordinate how it opens its borders and manages its air flights. You can give more money to the IMF and the World Health Organisation. You know, none of that happened, or has happened. Everyone basically has gone it alone.

And, you know, in the history of dealing with disease, this is really the first time, because in the 1850s, in the 1900s, there's been amazing international coordination on dealing with cholera, leprosy and smallpox and so on. So there's a long history of international corporation on fighting disease, probably more so than on any other area of international cooperation. And yet, you know, it has failed here. So that is, I'm afraid, fuel for those who say we don't need the global order, we don't need globalisation, we don't need, you know, international trade. And, you know,

as everyone well knows in our politics at the moment, those people aren't just on the left, they're also on the right.

Okay, look, in a minute I'm going to fold some other questions in, but I did want to do one last thing, which was that I've had a sort of feeling that maybe what has also happened is that we've seen a period between 1945 and now in which has been Pax America, you know, where the United States has agreed to shoulder quite a lot of the responsibility and the economic cost of being the world's leader that the American President, you know, who before Teddy Roosevelt, none of them had ever left the country, now accepts the title of Leader of the Free World, which is obviously not a real title, but a political, an obligation and a privilege, you know, which the United States has decided that it wants.

And through a combination of no longer wanting that, something that we saw before this, and through its leader not really being capable of carrying with him populations outside the United States, in lots of cases, the United States has sort of decided to walk, is walking away from that. It's not certain that it will. That's a thesis. Now what do you make of that thesis?

Yeah, I think it's true, but I would enter two caveats. The first is, you know, I think this was underway before Donald Trump arrived, you know. I would think Trump is as much a symptom as a cause. I'm not saying that he hasn't contributed to it, but, you know, the US was already withdrawing, if you like, from the world. And, you know, it was Barack Obama who was like, we don't want to fight other people's wars. And at the same time, other nations, most notably China, were, in the case of China, reemerging.

Let's remember, China for 18 of the last 20 centuries has been the world's largest economy and will be again this century. So it's not a case of a new kid on the block, it's the old kid on the block. So these things were happening before Donald Trump. Second, you know, I think sometimes the rhetoric, and this is my caveat, 'cause I agree with your general sort of point, Danny, here, but the rhetoric, you know, doesn't, isn't quite, you know, the reality is not quite as sort of alarming for those of us who want to live, you know, under the freedom that America provides. The rhetoric doesn't always match the reality.

So it is still the case, you know, today that large areas of the world their security is assured by the presence of US military, either in practise on the ground or the threat of them arriving very quickly if they're needed. That's true of the Taiwan Straits, it's true on the Polish border with Russia. It's also true that the US, for all its rhetoric, is the largest funder of all these international institutions that are doing their best to deal with the crisis, some better than others. So, you know, there's still a kind of big US presence in the world.

I agree it's diminishing. I agree the direction of travel is the other way, and I agree, also, and you see this in Europe and you see this in Africa, that there's now another power there. You know, if you don't want to take a loan from the US, or indeed the European Union, you can go to Beijing, and many countries in Southern Europe and Africa have done that.

Sorry, I lost you for a second there, but I'm back on the call now. Sorry, George, I'm back on the call now, sorry.

Sorry, no, well, maybe you didn't hear me, but I'm just saying that, I'm just saying that, you know, there's now with China, there's another, you know, there's another power out there. There's a power that can, that is an alternative place for people to go for funding and resource.

You've always been on the kind of more pro-China, opening to China wing. Has your view altered at all in the last couple of years and through this event?

Well, I think it's definitely the case that, you know, China doesn't make it easy for people. You know, the Xi Jinping government is more nationalist than its predecessors. Its suppression of the Uyghurs in Western China is, you know, deplorable. And there's certainly questions about, you know, how transparent it was about this disease in late December. But I always kind of, the question I pose to everyone is what's your alternative plan to cooperating with China?

You know, essentially the world faces this challenge and if you want to be all, you know, this is an online academy, so we can call it the, you know, pompous academic title of Thucydides's Trap, right? Thucydides's Trap, for those who don't know, the ancient Greek historian, Thucydides, pointed out that the Peloponnesian war between Sparta and Athens was caused by the fact that Sparta didn't know how to deal with the rise of Athens.

And he went on, this idea was picked up by a Harvard professor called Graham Allison in a book called "Destined for War," which says, you know, the world's been terrible at dealing with the new arrival, the new big power. Britain couldn't handle the rise of Germany 100 years ago. And he makes obviously the parallel with China. So either we are going to go into a new Cold War and those of us, you know, just about remember that, you know, remember what that involves, you know, the enormous devotion of resources to the military, the containment of the Soviet Union, you know, the buying off of allies, you know, that enormous effort that's required to contain, and by the way, the threat that it goes terribly wrong on any single day and destroys us all and kills us all within four minutes if you were living in London.

You know, either that's the policy with China and perhaps we'll end up there, but I would at least try the co-option policy, which after all is what every US government has tried until very recently, ever since Henry Kissinger went to Beijing, which is find a way to take this country, with China which is the world's longest existing civilization, continuously existing civilization, 1/6 of the world's population, an enormous power in the world forever, as I say, the largest economy for 18 of the last 20 centuries. And find a way for it to have a peaceful home, if you like, in the world order so it doesn't invade its neighbours. It's always going to throw its weight around. It's always going to expect to be treated like we treat the United States as the very, very powerful superpower.

And we've all got to, you know, come to terms with that. But if you can find a way to channel its energies into essentially the global institutions, the global world order, then that, to me, seems like a much better plan than the alternative, which, by the way, I don't think the US, and certainly not its European allies have the stomach for, and, you know, there is no evidence that the West is prepared to spend the time, energy and run the risk required of a proper China containment policy.

Thank you, look, I'm going to crack through some questions that people have been filing, and if you've got one, if anyone wants who's listening, in the Q&A slot down at the bottom of the screen, but let me start with one from Hedy Goldenberg.

Q&A and Comments:

Q: "If you'd been chancellor, what would you have done differently during this epidemic?"

A: I think, Britain's got a very, very good chancellor at the moment, and I haven't said that of old chancellors, called Rishi Sunak, who's a real star and he's new to the job, but I think basically his immediate approach, the furlough schemes, the loan schemes for the small businesses, those have worked really well. So I'm not sure I would do much differently. I had a quibble with the way he ran the small business scheme, but he actually fixed that and that all worked. So I'm not sure I would've done much differently.

I think what I would now be doing is setting out a roadmap for the future, giving people some clue that, yes, Britain, you know, is aware of the fiscal costs that are mounting, but we'll come back to that, that Britain wants to attract international business and investment to the UK. You know, the government actually didn't go ahead with the business tax cuts that I had legislated for to take the corporation tax down to 17%. I would have that, you know, to make Britain a sort of standout place to go after all this. I'd do more to make the tech sector an attractive place to invest in the UK, and personally, although I have to say I know I'm in a minority on this, I think, you know, introducing all these immigration rules is a bit bonkers at the moment when you're trying to attract talent into the country.

And, finally, you know, you've got to avoid, although I think they will, so this kind of cliff edge of leaving the EU's regulatory regime at the end of this year. We've already left the political construct of the EU, but we need to find a way out of the regulatory regime, and threatening to depart in the middle of the deepest recession in our history is probably not a, you know, sensible thing to do.

Q: I don't know, did you, DG18 has got a question, I'm sorry that I don't know your name, but I'll use the name from the screen. Wants to know what your opinion is on the culpability of the World Health Organisation and what your attitude is towards Donald Trump threatening to reduce the US funding?

A: Yeah, no, I think the World Health Organisation, you know, is not the best of our global institutions. It was found wanting in the Ebola pandemic in West Africa, and in the end the UN had to create a completely parallel structure to go in, and people might remember that America military and the British military and the French military went in to basically help those countries deal with it. It has in the past worked well. It worked very well 10 years ago with SARS where it kind of called China out and then was pretty effective in helping deal with that epidemic. You know, it has not been brilliant in this for a number of reasons. You know, I think there are questions about whether its policy, which I understand, which was if we criticise China, we're just not going to be let in the country and we're not going to be heard in Beijing. So we're going to be very, you know, nothing other than sort of informing towards China.

I question whether that was really the right approach. I think you could have had Chinese cooperation without going as far as the leadership of the WHO did. You know, second, you know, it's immensely kind of bureaucratic and inflexible, whichever everyone thought they'd solved after Ebola and they haven't. But, and here's my big but, we don't have anything else, right? So we have a global pandemic and we set up an organisation to deal with a global pandemic. So either someone is going to go and build some brand new institution in the space of a week, which I think is unlikely, or we need to make the WHO work.

And I would say, you know, for the US, instead of cutting off the money, indeed, this is a general point I'd make about the US, with all these things like the United Nations and the IMF and whatever, you know, the US created these institutions. These are American institutions, with a bit of British help in 1945, and I've, you know, spent many an hour at the IMF when I was Chancellor of the Exchequer. The Americans run that institution if they want to. They provide much of the money and a lot of the staff, and, you know, the American president, these are great, actually, these are great vehicles of American soft power, if you like. And, you know, if it's, if the WHO is not performing in the way that United States wants, don't cut off the funding for it.

By the way, China will make good the bill tomorrow, but come up with, you know, reforms to the World Health Organisation, get involved. And I'm ashamed to say I don't think the World Health Organisation was ever discussed while I was the Chancellor of the Exchequer. So this is not just an American complaint, this never came up at the British Cabinet table. So if our complaint is Beijing have taken too big of interest in the World Health Organisation, my response would be, well, maybe it's time we took an interest in the organisation we created.

Q: Michael Dangle wants to know, "Looking back on your spell as Chancellor of the Exchequer, what was the measure that you took that made you most happy, and the one that you regret most?"

A: Well, the one that makes me most happy, I know this will sound strange 'cause it's not actually the things that I'm like, at least in the UK, associated with, but I introduced a sugar tax in 2016 and everyone who worked for me told me I was mad, that I was going to tax Coca-Cola, and, you know, here I was, you know, from a well-off background, and what did I know how

ordinary people lived and I was going to tax their sugary drinks, and that was all the political advice I was getting. And I remember, and the official advice, and I remember, alone in a room with Danny, with David Cameron, a small room, I just said to him, "Look, it's the right thing to do. Obesity is a huge problem in the West.

You know, this is not going to damage Coca-Cola. They can just reduce their sugar content, and other, you know, soft drink manufacturers, and it's the right thing to do." And our biggest opponent was someone called Boris Johnson, right? He thought it was ridiculous and interfering and the nanny state and so on. But we went ahead, took the risk. It was amazingly popular, we would've planned for it, we were planning for it to be very unpopular and it's had a huge impact. All the manufacturers reduced the sugar. And the real test was Boris Johnson, who's always got an eye for what's popular. He, in the last few days, has said he's a big fan of the sugar tax. Well, we always welcome the zeal of the convert. So that's the one I'm proudest of.

I mean, I made loads of mistakes as Chancellor. 'cause you can't, you just can't get everything right in over a six-year period. The thing that I, it's a kind of complicated answer again. So I wish I could give you a really sort of, I mean, the obvious answer was I should never have gone and tried to present a medal at the Paralympic Games in 2012. That was a basic error. But the more serious answer is I should have fixed the Royal Bank of Scotland when I came in in 2010. It was this enormous bank that had failed.

It had been bailed out by the time I arrived, but everyone thought it could be kind of nursed back to health and be what it was before. We should have gone in and taken all the bad assets out of it and created what's, you know, called a bad bank, which we eventually did in 2013. And it was lending something like to a quarter of all, it's something like 45% of all small business lending in Britain, and it was a wounded giant. So it took me, you know, too long to fix it out because everyone else said don't touch it again.

So that was a mistake, and there is a lesson today, I think, you know, there's going to be a lot of bad credits at the end of this, and governments should be completely aggressive, and indeed companies should be completely aggressive in clearing out the bad credits and separating them out and creating things like bad banks, if necessary.

Q: Prawn Lewis says this, "Do you believe we should have started our lockdown much earlier like New Zealand and also have closed our borders?"

A: Well, I definitely think we should have started the lockdown earlier. I think that was, and this isn't really the benefit of hindsight, I think, for the UK, once it was clear what was happening in Northern Italy, i.e., once it was clear that this was not just something happening in Wuhan and the other side of the world. You know, I think there was a kind of smugness that, oh, it's happening in Italy, as if it was sort of somehow, you know, the Italians who had brought this upon themselves, and, you know, we had, we could, and France locked down a week before us. So, you know, I think there are going to be a lot of questions when the inevitable inquiries come

about why we didn't lockdown as quickly as we did, and, sorry, why we didn't lock down more quickly and why we allowed big events like the Cheltenham Gold Cup to go ahead when the rest of Europe was under lockdown. So what was the second part of that question, Daniel? Remind me, it was?

Well, it's the closing borders.

Oh, closing borders. But, you know, it's a kind of, I think it's easier, frankly, if you're in New Zealand, because, you know, normally people are only going to New Zealand to go to New Zealand. They're not kind of travelling through New Zealand. You know, we have like two million, I think there were three million British people abroad trying to get in, trying to get home when the crisis struck. So I think it's kind of harder to close the borders than you imagine. And I don't think I've seen any evidence that Britain's subsequent problems have been caused by people coming into the country.

I certainly think it's a bit strange to close, they're now thinking about closing the borders in the next week or two, or rather requiring if you come into the country, you have to spend 14 days in quarantine. It seems very odd to do that, frankly, in June. They might have had some sense to doing it in March or April. And it's a kind of classic, you know, I'm guessing here, but I think it was probably dreamt up one afternoon in Number 10 Downing Street because they were getting all these questions about why they haven't shut the borders. So someone said, "Well, why don't we just go and shut the borders?" But, in practise, I think that's unnecessary and comes too late. And, by the way, I think there's a reasonable chance it won't happen.

Q: So here's a question from Andrew Connell. "Post current crisis, how could we stimulate the UK economy and align actions to help meet the Paris Accord climate targets?" So it's how to do both those things.

A: Well, I think there's two things. One is, I mean, stimulate the economy. I mean, of course, there's a lot of fiscal stimulus going in at the moment. Many hundreds of billions of pounds, as is with elsewhere in the West. And I think you have to, alongside kind of government support, furlough schemes, and so on, you do need to put a sign above your country, particularly you are a country like Britain, a sort of, you know, large European country, but among many others, which says we're open for business, we're attracting investment. That's certainly what I tried to do as Chancellor.

Took a very unpopular decision to cut the top rate of income tax from 50% to 45% 'cause I knew it would send a signal that we're on the side of entrepreneurs and wealth creation, I cut corporation tax, whilst at the same time raising taxes on rich people in other ways, because, and indeed on businesses in some ways. It's because these were kind of headline ways to send a message it was a pro-enterprise, pro-business government. That's actually not what this Conservative administration was elected to do in December. You know, they're actually, they've got a lot of their rhetoric was quite anti-business or anti-big business or anti London.

You know, I think all of that has to be ditched because, you know, the world's dramatically changed and you need to, you know, stimulate, you know, those animal spirits. I think the other thing I'd just say, and this is going to be the hardest decision I think they've got, these furlough schemes and these loans to businesses are all well and good, but, you know, as many I'm sure people know on this call, for a lot of people, they're not going to come off the furlough scheme back into work.

They're going to go off the furlough scheme into unemployment and it's a kind of waiting room to unemployment, very sadly. And for a lot of small, and a lot of businesses that get loans, not just small ones, actually some of the largest, they won't actually be able to pay these. You know, they're basically insolvent or their business model is finished and we don't want to recognise that now and we don't want to bring it to a head now.

We need to see, you know, because we've forcibly closed the economy, it's not surprising, you have a successful restaurant, it's not got any income and you need some support for your staff and for the restaurant. But when this all comes out, when we start to come out, there will be failures. Keeping people in a waiting room to unemployment is not actually the best thing for them. They should be out, you know, you need to get them into the labour force looking for work, into the market looking for work.

And you need people who've invested capital and talent and effort into a business that's not going to succeed to go and do that with some new business startup. So I think there will be a moment when you have to, you know, bring to an end some of the life support in order to allow the kind of the green shoots, the enterprise spirits to fire up again. And, you know, I would just, you know, if you want to kind of, maybe I'm being too gloomy, 'cause I am actually quite optimistic about where I think the economy's going because there's a very large sum of money from the government carrying us through this period.

I see a huge amount of innovation already in the way businesses are operating, in the way human beings are. We are very creative, innovative creatures, and already we are reorganising our societies to live with this virus, and businesses are doing an incredible job of doing that. And does it mean every business will survive? No. Does it mean everyone will stay in their job? Sadly not. But, you know, human ingenuity and entrepreneurship are remarkable forces not to be bet against.

And interestingly, you know, one of those things that Wendy said at the beginning, I advise, you know, BlackRock, and you know, the BlackRock work suggests, and published work that they do, you know, suggests that the economic damage, whilst much sharper than the financial crash 10 years ago in terms of what's happening right now, is going to be much less in aggregate than it was 10 years ago because you don't have that total impairment of your credit and banking system, and indeed that's stayed remarkably in good shape. So I think the recovery will be, may not be V-shaped, but, you know, U-shaped recovery isn't bad when you've had, you know, the

biggest economic collapse of our history.

Q: So Hedy Goldenberg's, he's asked a question but got another one that I think relates to what you've just said, "If you could turn the clock back, would you again stop non-dom's achieving?" I think this is right, the question's not quite correctly typed, thus if you obviously did that you might stop the departure of so many wealthy individuals.

A: Look, I think the non-dom position in the UK, as I found it, was essentially unsustainable with public opinion, and indeed in Parliament. So the question was did you try and change it in a way that was least damaging? And I think it's reasonable to say, and I know people will disagree with me about this. It's reasonable to say that if you've lived in a country for more than 17 years, you know, you are basically domiciled there, and there are still even then very attractive ways to, you know, minimise your tax.

But you do need to make a contribution and I know it was creating a huge amount of public anger that two people essentially working in the same office side by side or living next to each other in the street, ostensibly, you know, having exactly the same life in Britain, were not paying the same amount of tax. And I think it would've been with, if I hadn't tried to do it in a way that I think stayed pretty friendly to overseas people in the UK, been completely abolished and there would've been no ways to bring money into the country to invest, and no monies, and make use of trusts and so on, which, you know, was preserved.

So I think it was, you know, getting ahead of the argument. I think there's an interesting, if you want to know kind of something to watch in the future, I think the issue of companies and their taxation is going to be a big consequence of this crisis because, I think, you see this in European countries, you see it in the argument here in the UK around Virgin Airlines, which is, you know, companies that have apparently not paid any tax, or paid little tax or used, you know, offshore tax regimes are, you know, now being criticised for trying to take bailout funds from the taxpayer that they didn't contribute to.

And in France, actually, I think it's now banned. They will not bailout countries, companies rather, that have not paid tax. In the UK, a lot of private equity businesses that were overleveraged and had complicated tax structures are not getting government bailouts. And I think that's a kind of reasonable, you know, social compact, which is if you want the big arm of the state when you need it, then you've got to be there to contribute. And if that's not been the case in the past, I'm absolutely certain it's going to be a big consequence of what's happening at the moment.

Q: George, we've got five minutes. I'm going to crack through as many of these questions as I possibly can. This is somebody who I thought was called Patricia S. iPad, but I think this is Patricia's iPad. "Would 5G bring more jobs to the UK?" You believe in 5G?

A: Yes, definitely. I tell you why, 'cause, you know, what else is the answer for those kind of

fishing communities, industrial towns that have been left behind. You've got to make them attractive places to live and work. And you don't do that by bringing the steel mill back, but by bringing the 5G in so that any business can set up there.

Q: "When do you expect international travel to start again in any meaningful way?"

A: God, I wish I knew. I'm sitting here. I've just cancelled my foreign villa. I don't know. I think, I'll tell you the problem, if I was doing my old job as a politician, you know, there's not much domestic pressure to open your borders and allow international travel. You know, if you were Donald Trump in an election in November, why, you know, the one thing he's going on about is that he shut his borders.

So I think they're going to be stay in place for quite a long time, except I'm basically, what I'm hoping is the UK won't impose this belated quarantine which it doesn't need to. And some destinations, particularly in Europe that are heavily tourist-dependent, like Greece and Spain and maybe France and so on, will open up. But I have to say, I wouldn't put down a deposit at the moment unless you're absolutely sure you can get it back.

Q: I've got a question from somebody whose handle is Adam Noor, which I believe is your brother. "What can we do to enable or pressure the WHO apart from withdrawing funding to enter China, properly investigate, and understand the source of contagion of COVID-19 and ensure that we can protect ourselves against another pandemic in the future? Is there any other leverage?"

A: There's not a great deal is the short answer because, you know, ultimately they need to allow access. But, you know, the Chinese authorities need to allow access. I think, but the two things worth saying is, you know, China does not actually like being the kind of bad boy. Russia doesn't care, right? Iran doesn't care. China hates it. China's whole approach is to be, you know, present itself as the global citizen, and it doesn't want to get the opprobrium of the world. It's very uncomfortable in that position. So I think, you know, if there's a lot of pressure for an investigation, they will concede to it.

Second, you know, if you think all the, we've been talking about handling all this kind of stuff in a democracy. If you think it's hard in a democracy, I'll tell you what, it's a lot harder in an authoritarian one-party state because your whole legitimacy of your system is called into question if you can't handle diseases, and, you know, if you read the history of the world, regimes often collapse and states often collapse after natural disasters and pandemics. So, you know, it's actually in China, the Communist Party of China's interests that this kind of thing doesn't happen again and they learn all the lessons.

Q: Okay, we're going to, just got really time for two more questions. One is, and one's going to be on Brexit. So the first one is, "What is more likely to follow the crisis, deflation or inflation? Under what circumstances, one or the other more likely?"

A: Well, I think you've got a lot of deflation happening at the moment, which I would imagine it was going to get sharper. In fact, I think half of European countries now are, posted this today, well, yesterday, deflationary numbers. And I think in the UK, we are, you know, inflation is well below 1% now. So I think there's a lot of deflationary forces.

I think the question, you know, the most interesting question is are we seeing an end to the era of central bank independence because of the heavy degree of coordination between governments and central banks? And that could, over time, and I'm talking, you know, the years, not months, lead to a rise in inflation expectations because central bank independence was developed because people thought the governments would never be tough enough on inflation.

Q: Okay, and then one last question, I'm so sorry to the two or three of you who've asked that I haven't been able to get to. Charles Levin's got this last question. "What are the implications for Brexit, given the government's preoccupation with the pandemic?"

A: Well, the truth is we've left the European Union. I mean, not a decision I was in favour of at all, which is why I'm a newspaper editor rather than a chancellor these days. But I think that's been the big decision we've taken. We've taken the decision to leave. I think this kind of question of the trade deal, again, this is not very fashionable at the moment to say this, but this is what I think, is really a second order question. It's important but it's not as nearly as kind of Grade A a question as whether we are a member of the EU. And I think we will have a deal.

We won't have anything like the deal we were promised. It'll probably be just a deal to go on dealing, if you like, at the end of this year. And I don't think, you know, if you want my guess of where we're going if we do this call in 10 years' time, Danny, you know, I think you'll find that Britain's still very much a European nation, essentially following part of the kind of European family of regulation and the way you organise society following European standards on most things. And we'll have tried to reconstruct what we had in the EU, which was a more direct way to influence those things.

We'll find in quite a British way, sort of indirect ways to influence all those rules and standards. But, you know, Brexit and pandemics apart, you can't get around the fact that Britain's only 20 miles off the coast of France and that's not going to change.

George, thank you so much. Wendy, thank you very much for, And how about you?

George and Danny, thank you. Thank you very much for a truly fascinating hour. It was a real privilege to hear from you both, and, you know, during this very difficult time and this very difficult situation, engaging with experts is key and so we are very grateful to you both for sharing your thoughts. The UK is lucky to have you both. Take care of yourselves. Good luck, we are counting on you and I'm certainly looking forward to coming back to the UK very soon. Thank you.

Thank you very much, thanks for having us. Thank you very much, thanks for having.

[Wendy] Thank you.