Dear Anneliese Dodds,

The government's draft plans to wind down the furlough scheme involves asking employers to contribute further to wage costs and employers' national insurance. Given that many businesses have no income streams at all, insolvencies and redundancies are inevitable.

Viable businesses failing through no fault of their own is a loss to us all. The personal and psychological costs of unemployment are bad enough, but economies also get a double-jolt from both the unpaid liabilities of the business and their former employees.

The problem with this is that when debts fail to get paid, there's no modelling in the world that's up to predicting the outcome. At best, recovery will be slower: at worst, there's another debt crisis. A recent study by Bowmore Asset Management suggests that the the average position on borrowings for FTSE 100 companies is worse now than during the credit crunch a decade ago. These are probably not the companies at most risk of failure, but it's hard to imagine many smaller companies' positions being stronger.

Yet there are still 54,000 new cases of Covid-19 per week, no vaccine, no effective treatment and an R rate that, if it stays close to 1, will logically mean that everyone gets the virus (because everyone will pass it on to one other person). The test and trace system is in its infancy and there's no confirmed date on when the supporting app will be ready.

Basically, it is only lockdown measures that have been effective. Relaxing restrictions that have minimal impact is sensible; relaxing any others is pure folly. It's hard to see how the country is ready for a return to work when there is no clarity on how people can remain safe on public transport. It's seemingly a return to the herd immunity policy because there's nothing - other than a growing base of people who have been exposed to the virus - that is likely to cause R to fall.

Sadly, the rush to return is driven by the misguided notion that only by returning to the old normal can we stabilise the economy. It's an extension of the view that when someone sells a few cappuccinos wealth is being created. It is a misleading concept and misuse of the term 'wealth'. Wealth is not created in these transactions, nor is money: it is merely circulated.

And it's this vision that's been missing from the government from the beginning. Admirable though the government's support measures are, the problem with them is that they seem them in those terms i.e. as "support". What they should be pursuing is a coherent **hibernate and circulate** strategy, closing down nonessential business where there is risk but trying to circulate the money as close as possible in the same way, sans the service/goods. Stacking up debt, at the rate they are currently doing, cannot be pursued indefinitely without creating a huge burden for future generations or risking QE-triggered hyperinflation.

I urge the opposition to challenge the government's current policy by proposing its own **hibernate and circulate** strategy. This must ensure that sufficient temporary taxes are raised to meet the majority of businesses fixed costs. No caps, no exclusions, no tapering. This must operate for as long as there is medical benefit in keeping business locked down that outweighs the benefit of the outputs of that work. And by "outputs" I mean important goods and services: food, PPE, health, education etc – not simply monetary profits. We must not just return to work because we "can't afford" not to: there are better policy options available than the sacrifice of lives.

Nick Wilkins
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