

RECORD OF THE NUMBER OF TIMES THAT DAVID CAMERON, GEORGE OSBORNE AND ALAN DUNCAN HAVE CALLED FOR GUARANTEES FOR BANK LENDING

In an FT article on 10 November 2008, George Osborne wrote:

“The 1.5 percentage point cut in the Bank of England base rate was passed on by a number of banks, but the process was hardly smooth. This suggests the transmission mechanism remains fragile. It is worth actively considering reducing the cost of the guarantees on term lending that seem costly compared to other countries.”

In a speech on 11 November David Cameron said that we should do whatever it to make credit cheaper:

“The central thing to understand is this recession was triggered by a monetary crisis - the credit crunch and it's monetary policy that will be the best response. It's vital that we unblock credit and get money flowing through the veins of our economy...We're clear about the ends: cheaper loans. And we will do whatever is needed to make that happen.”

In a speech on 18 November, David Cameron argued that more action was needed to get credit flowing:

“But it is not just the price of money - the interest rate - that is the problem. It is the quantity of money too. To help ensure that credit and money start to flow again we may need radical new approaches that recognise how the existing banks are still suffering from the trauma of toxic assets and massive over lending.”

At PMQs on 19 November David Cameron asked Gordon Brown to consider radical action on credit:

“The <<http://www.theyworkforyou.com/glossary/?gl=264>> Prime Minister<http://en.wikipedia.org/wiki/Prime_Minister> says that we have done what we can. My question is, do not we need to go ahead and consider doing more? Is the Prime Minister<<http://www.theyworkforyou.com/glossary/?gl=264>> considering—[Hon. Members: "Doing more?"] Yes. This is about small businesses in the real world that are struggling and want to know how we are going to get credit moving again. Is the Prime Minister <<http://www.theyworkforyou.com/glossary/?gl=264>> prepared to consider more direct measures to get lending to business restarted, including the establishment of new institutions to underwrite lending, so that businesses can get the money that they need?”

George Osborne set out Conservative plans in an interview with the Financial Times on 21 November 2008

“Mr Osborne said a Conservative government would intervene aggressively to restore the flow of credit. One option would be state guarantees for business lending. Under proposals being developed by the Tories, the government could insure a proportion of the bank loan, in return for a fee paid by the corporate borrower.”

In a speech to the CBI on 24 November David Cameron called for monetary activism to encourage lending:

“So as well as lowering interest rates, monetary action must mean radical new measures to actually get credit flowing through to businesses, measures that recognise how existing banks are still suffering from the trauma of toxic assets and massive over lending, like a new institution to issue government guarantees for new lending, with a fee to cover the risk to taxpayers. The banks would still make the loans and still carry some of the risk, but a government guarantee would allow the banks to expand their lending.”

George Osborne called on the Government to take action in the emergency debate on the Pre-Budget Report on 26 November 2008

“What the Chancellor should have done on Monday was take radical action on monetary policy to get credit flowing again. That is what we have been arguing for weeks and that is what Mervyn King said yesterday to the Select Committee.”

“The Government should establish a new state institution that will directly underwrite lending from the banks to British businesses. It should do so for a commercial insurance fee, passed on by the banks, that would fully protect the taxpayer. Businesses want credit and credit insurance and they are prepared to pay a fair price for it. The problem at the moment is they can't get any credit or any insurance.”

David Cameron called for a National Loan Guarantee Scheme in a speech on 28 November 2008

“George Osborne and I have made suggestions in recent weeks. In a speech last Tuesday, I argued that we may need “radical new approaches that recognise how existing banks are still suffering from the trauma of toxic assets and massive over lending. At Prime Minister's Questions the next day, I asked Gordon Brown if he was prepared “to consider more direct measures to get lending to business restarted, including the establishment of new institutions to underwrite lending, so

that businesses can get the money that they need?” In an interview with the Financial Times last Friday, George Osborne re-enforced the message, while in Parliament on Wednesday he said “The Government should establish a new state institution that will directly underwrite lending from the banks to British businesses.” And today, I want to say more about the Conservative Party’s proposal.”

“Our guiding principle should be to use radical government action to get lending moving, but as far as possible for lending decisions to be made according to market incentives. This is a credit crunch, and it needs credit solutions. That means using the government balance sheet to back new lending. But making sure that banks still have the right incentives to assess risk. That combines the best of both worlds, and means that we would maximise the chances of having a viable banking system to help lift us out of recession.”

“So we propose establishing a temporary new Government body – the National Loan Guarantee Scheme – to directly underwrite lending from the banks to British businesses. The focus would be on short term credit lines, overdrafts and trade credit – the lifelines that all businesses need to keep afloat. Our National Loan Guarantee Scheme would guarantee billions of new loans to any UK businesses, and it would do so for a commercial insurance fee, passed on by the banks, that would properly protect the taxpayer. Banks will be able to use the National Loan Guarantee Scheme guarantees to underwrite a significant percent of any new loans to business. And a similar approach should be taken with trade credit insurance, which has dried up dramatically over the last few weeks with worrying consequences for the day to day workings of our economy.”

Writing in the FT on 1 December Alan Duncan called for more action on trade credit:

“We are calling on the government to establish a temporary new body: a National Loans Guarantee Scheme to guarantee billions of pounds of new loans to businesses, for a commercial insurance fee passed on by the banks, to protect the taxpayer properly. We must now act similarly to help restore the links of the payment chain. Not only banks but also credit insurers will be able to use the scheme to underwrite a significant percentage of any new loans to businesses - but not 100 per cent. Credit decisions will still be made by the same institutions - and absolutely not by the government; but it will give them the benefits of less capital and less exposure to the unpredictability of a recession.”

In his response to the Queen’s Speech on December 3rd David Cameron said

“When is the Prime Minister going to accept what the whole country knows: that

his bank recapitalisation isn't working? It rescued the banks, but it hasn't rescued small and medium sized firms.

“They can't get loans, can't get overdrafts and are having charges levied that are frankly outrageous. The Government's response is endless meetings with bankers conveniently briefed to tomorrow's newspapers to make the Prime Minister look good. But it's not making any difference. That's why we need - in this Queen's Speech - a government insurance scheme to get banks lending.”
In a speech to the LSE on December 10th David Cameron said:

“The recession we face has at its core a severe contraction in credit - so we need exceptional policies to get credit moving again. The bank recapitalisation was intended to help do that, which is why we called for it and supported it. But now it is clear that the bank recapitalisation, while it may have saved the banks from collapse, has failed to save the wider economy. Good businesses are still not able to get the credit they need to keep going. So we need further exceptional policies – principally monetary policies - to get businesses the money they need to get through the recession. That's why we have proposed a new National Loan Guarantee Scheme to get lending going.”