# [EU rules for debts and deficits]

The Chancellor is calling for ideas on what new fiscal rules should be applied to the UK economy as it seeks to recover from the pandemic shock.

One of the surprises in the official figures released with the budget was to see the traditional table showing the next five years figures against the targets of the EU's Growth and Stability Pact, with reference to the Maastricht Treaty levels. Whilst we were in the EU the limitation of state debt to 60% of GDP and the annual deficit to 3% of GDP applied to us, though we did not face the same enforcement penalties as members of the Eurozone could face. Some people argued the Stability and Growth policy did not apply to us, yet we reported on it annually at the budget, sent in the necessary figures to the EU to monitor our budget and its conformity and had an annual debate about it in Parliament. I did not expect to see the report of these numbers to continue after we had left the EU. Previous Chancellors did guide the economy by seeking to get the deficit down so that state debt fell as a proportion of GDP, as the EU said.

The documents imply that some parts of official thinking believe this is still a good way to guide an economy. There is a concern to see state debt as a percentage of GDP falling again, which is what we should do to comply with the Pact. I agree there should be some debt control as part of a sensible strategy but there is no reason to think the 60% percentage of GDP figure for debt and the 3% deficit figure are the best or right ways to steer. There is an argument to say you should treat capital spending differently from day to day spending on public services. If the state is investing in an asset which will generate a positive return that exceeds the government's cost of borrowing there is less reason to restrict such spending. I think we need new fiscal rules based around boosting the growth rate and productivity, and distinguishing between worthwhile investments and other public spending. I will return to this issue soon.