

How much extra public spending is appropriate for the UK?

There is a change in approach to public spending with the new Prime Minister wanting to tackle areas in the NHS, education and security where more money is needed to recruit more people, improve facilities and ease pressures on budgets. It will be welcome to see more cash for schools suffering from low per capita budgets currently, and to see better facilities and more capacity in the NHS. I have been seeking both these for my local area.

It is important that as the extra money is released it is made clear how it will be spent to boost service quality and provision. Ministers will need to be firm about how the money is spent. It is best to ask first what extra personnel and facilities are needed and why, before then asking how much they will cost, and considering authorising them.

All of this extra spending needs to fit into a state budget plan with suitable limits on borrowing. The extra spend can come from savings elsewhere, from more tax revenue from economic growth, or from more borrowing. There is plenty of scope to boost the growth rate as discussed here before by tax cuts and a more appropriate money policy.

There is also plenty of scope to cut out wasteful and undesirable spending elsewhere, as I will discuss in more detail tomorrow. Ending all payments to the EU from 1 November provides substantial opportunity to spend more and tax less.

State borrowing at a little over 1% of GDP today could rise to 2% given the world slowdown and the lack of inflationary pressures in much of the advanced global economy.

All this points to the opportunity for a decent boost to core public services and some enterprise and job promoting tax cuts soon. My original Brexit bonus budget did not spend much more than the savings on the EU contributions.,