

Let's end austerity

Many readers will know that I was critical of Mr Osborne's austerity policy. It was always more based on increased tax revenues than on cutting spending, but it ground on with the rhetoric of cuts. The growth in spending on overseas aid, EU contributions, pensions and welfare placed more of a strain on some other important programmes. Today I want us to end the rhetoric of austerity, and to ensure decent levels of funding for those important parts of the public sector that are finding it difficult to manage.

It is true that total spending on the NHS and on schools went up, but the cumulative impact of low real increases in areas under pressure of numbers now requires more of an increase. I have been arguing for some time for more cash for schools in Wokingham and West Berkshire, and other similarly placed fast growth areas with low current levels of per pupil funding. I have also argued for more money for social care, to relieve more of the pressures on NHS hospital beds and provide more back up for the elderly and infirm in their own homes. I expect more money to be forthcoming. We could start to spend the saved net contributions to the EU, which should materialise in twenty months time.

I see no need to impose new taxes or raise individual tax rates to do this. The budget deficit is now under good control. What we need instead is a combination of tax and other economic policies that help lift the growth rate a bit, which in turn will bring in more revenue. There are as I have often argued tax rates that could be lowered to foster more tax collection. Treasury orthodoxy seems to think that even a few hundred million pounds extra spending, a small sum in relation to the total budget, needs to be offset by specified tax increases. Whilst accepting that some taxes collect more at lower rates, they still do not have working accurate models to show just how much CGT, Stamp Duty and other similar taxes can increase with a sensible rate. Given the huge inaccuracies in the Treasury forecasts of tax revenue their precision over sums that need to be raised are within the rounding error or may simply be wrong. What we need to ensure is a livelier rate of tax revenue growth, which can best come from lower rates where taxes are easily avoidable, and from a range of policies that can spur a better economic performance. These include policies to promote better public sector productivity performance, more productive investment, embracing the digital revolution in the public sector as well as stimulating it in the private sector, and improving transport and broadband infrastructure.