

The balance between spending and taxing

There are stories in the press suggesting the Chancellor will have some scope to boost spending or cut taxes in the budget. There are also suggestions that boosting spending will take priority.

It would be good first to create more room to make changes. We read work on getting more people into jobs is going well. If more people take up paid employment benefit and tax credit spending falls and tax revenues rise. The inflation rate is coming down, so they need to put a large saving on debt interest into the figures. Last year debt interest on their accounting basis soared thank to the large rise in inflation linked debt costs. There will be big savings on the energy package which should be allowed to run off this year.

There are comments that defence will get some more money. It needs to restock ammunition and weapons to replace that sent to Ukraine. It needs to get up to strength on personnel numbers.

The NHS will need help with meeting the extra pay bills. It also needs to review its current spending priorities and see where the large increases of the last three years have gone. Childcare may need expansion as part of the workforce package. There is talk of more energy subsidy than planned.

It is vital there is scope for tax cuts. Some of these will boost revenues though OBR forecasts will say otherwise. Without more growth we will struggle to afford good public services. High tax rates can induce a cycle of decline by deterring enterprise and investment.