Budget

There are three government economic aims to halve inflation, ensure growth and have falling debt levels in the medium term. Fortunately there are measures which would help with all of these. The essential task should be to provide incentives to expand capacity in this country.

We are short of employees, short of some skills, short of home produced food and energy, lacking in many types of industrial output from steel to chemicals, short of hospital beds and transport capacity.

Most of this outside the NHS needs to be private sector activity and investment.

The government says it is going to take a series of measures to encourage more people back into the workforce. Older people may need tax changes and incentives to return to the workforce. Younger families may need help with childcare costs. Some need better training and support in work. I will support the measures they have chosen to help to bridge the gap between jobs available and people willing to do them. I do not support the low wage migrant model for meeting our employee needs.

The government says it wants to see more investment in energy and industry. In that case it needs to keep the corporation tax rate down. The decision to hike the rate makes us less competitive. The introduction of a 100% initial allowance for the costs of certain investments is helpful, but it is replacing the more generous super deduction we have at the moment so it is not going to give us any boost. At the very least the windfall taxes should be true windfall taxes that come down or end when the price of energy abates below a stated high level. Better still the government should cut taxes and remove subsidies at the same time. The money go round of adding taxes to high priced energy and then needing to give bigger subsidies to buy it makes little sense. Indeed, the high windfall taxes especially if allied to higher corporation tax will cut energy investment when we need more of it to increase supply and temper the price.

The OBR has changed its forecast for the current year deficit yet again. It was £99bn in the March forecast, £177 bn in the November forecast and now £152bn. I said in March they were too low and in November a bit high. They must be closer to getting it right now there are only a couple of weeks to the year end they are forecasting. Their estimate for next year of £131.6bn may be optimistic as they are forecasting slow growth and may be overestimating the revenue they can collect with some higher rates. They underestimated the Corporation tax revenue this year when it stayed at a lower rate.

They anticipate inflation collapsing to zero by 2025 for no obviously good reason. That seems unlikely, unless we do get an unforeseen recession. They now anticipate a much lower rise in unemployment this year and next than in the previous forecast. They now expect the UK to avoid recession this year after forecasting a down year at minus 1.4% in November, Their frequent changes of forecast, their failure to detect major changes of trend and their models which seem to underestimate the impact of changing tax rates on behaviour make these forecasts difficult to rely on.