More jobs and lower inflation

This week has brought good news that unemployment is at a 45 year low. Although slowing, the economy is still generating additional new full time jobs. Pay is rising at 3.6%, usefully faster than price rises at 1.5%.

The combined effect of job availability in most places with rising pay means people can afford to spend a bit more. Pressures on budgets ease when pay rises by more than prices, and when people get promotion or move to better paid jobs.

It has been a battle to get the state deficit down from the unsustainable Labour levels of 2009-10 to something we can afford. It has taken time to reduce the high levels of unemployment the government inherited in 2010.

There is nothing wrong with some borrowing, both for individuals and for companies. Buying your own home usually entails accepting a large mortgage. 20-25 years later you own the home with no more mortgage or rent bills to come. Buying a car with a loan or lease arrangement also makes sense as most people do not have the cost of a car in their savings account. If you have a job and a stable income the car is affordable.

Similarly successful companies can borrow to finance their stock or work in progress, or to finance capital equipment they need to produce their goods or services. A sensible level of borrowing can help their business and enhance returns for their owners.

Some query the need for the state to borrow. Under the new rules the government will only borrow for capital investment. Where the government borrows to deliver a service which the customers pay for, it can be a commercial return like any other. In most cases the state will be offering the service free to the user, paid for out of taxes. This makes evaluating the return more difficult. It does not mean there is no return or no need for necessary capital spending on roads, hospitals or schools. The government has to assess the outcome sensibly.