

Fiscal rules OK

The balanced budget rule which says spending on current budgets has to be covered by tax income is sensible and prudent. Whilst education is an investment in young people, teachers' pay is still a current and recurring item of spending.

Some of you are concerned that the government can borrow to invest. Investment means the capital budget where you buy items like new school buildings or a new road which will be used for many years going forward. Most investment in the state sector is building and construction work.

The Balanced budget rule still provides a constraint on how many new buildings you can build to expand a free to the user service, as all the staff and running costs of the new buildings fall on current account under the Balanced budget rule. It does encourage investment in replacement buildings that are more fuel efficient and in other ways cheaper to run or public investments that generate a revenue return.

In order to justify borrowing to invest we need to show the need for the new capital provision and the imputed return where it is for a service provided free to the user. Let us take the case of the M25. This expensive motorway offers no direct financial return to the taxpayers who paid for it, because we do not have road charging. If we had put in place a road charge system instead of the current Vehicle Excise duties and fuel duties, the M25 would have shown a great return for the state investor. The state has to impute a value to the likely use of the facility to assess one public sector project against another. By definition this can only be a judgement based on stated assumptions. The state also has to take into account that use is likely to be higher because it is provided free.

In the case of borrowing to provide a new school the case is overwhelming where there are more pupils than school places in a local area. If it is a replacement school then the project needs to show substantial running cost savings compared to the building it is replacing, and preferably a return of capital to the state from disposal of the one it is replacing unless on the same site.

A new railway line is easier to assess, as the railways do collect money from train users. Spending a lot of money on a heavily loss making line would not be a wise investment.

Somehow the state has to improve its way of evaluating all these competing projects to come up with a list that genuinely expands the national wealth or are essential to the delivery of good quality public service like health and education.

More GPs and more appointments for patients

I have been lobbying for more GPs and better access for people needing appointments. The last Health Secretary announced money for more doctors, but retaining some of the Doctors we already have is also proving difficult.

I welcome today's announcement from the current Health Secretary that some of the extra money available for the NHS will go on training more young people to be doctors, and on recruiting more GPs to make it easier for surgeries to provide timely appointments for all needing them. I have been following up about the local situation on GP numbers and services.

What is affordable?

I was disappointed to hear on the radio that it was a sign of the times and surprising that I was supporting the fiscal changes made by the government. The BBC saw me as some kind of austerity hawk who had suddenly changed, showing the public the BBC think they have every right to comment on my views without bothering to read or understand them.

As readers of this blog will know I campaigned for Prosperity not austerity as the driver of policy before the last election as well as for this one. I see recent changes as good progress in the direction I have wanted campaigning for more money for local schools and the NHS and for a boost to our economy from lower taxes.

Indeed my opposition to the austerity framework of policy goes right back to my resignation from the government of John Major. I resigned over the Maastricht Treaty and possible membership of the Euro. As I made clear at the time I saw the Maastricht controls on the economy as likely to induce a bust. They had done so in the European Exchange Rate Mechanism and could do so again if we joined the currency. We did not join the Euro but we have always accepted the Maastricht debt and deficit controls, with unfortunate economic consequences. In the Hammond years they have overtightened our economy, cutting its growth rate.

The new fiscal framework is a bit looser but officials wedded to the 3% deficit ceiling and the 60% state debt to GDP target have ensured there are surrogates. Allowing 3% of GDP borrowing for capital spending with a balanced current budget is a bit looser than an overall 3% budget deficit ceiling with pressure to run a deficit considerably lower than 3% much of the time. The need to reduce state debt as a percentage of GDP is not entirely dropped but it now relates to a whole Parliament lifetime and not to each individual

year, and only bites if debt interest exceeds 6% of tax revenue. This allows flexibility to take a bit more advantage of low interest rates,.

Because the BBC will never explain the origins of our current controls they do not wish to expose this kind of detail. It means they misrepresent the views of those of us who wish our country to be prudent but do not wish our economy to be short changed when inflation is under control and growth is weak.

Wokingham Conservatives

Tonight Wokingham Conservatives will confirm the local campaign with me as their candidate for the General election. I will talk to the members present at the meeting about the messages I would like their help to take to the doorsteps and onto social media over the next month. They will be based on the things I have set out in recent blogs and will include a local agenda for the next five years.

Room for tax cuts

The new fiscal framework set out yesterday by the Chancellor should allow scope for some tax cuts in the next budget. It is important these are not crowded out by further increases in spending. Tax cuts are the quickest way to boost real incomes and stimulate the economy. People should be able to spend more of their own income.

As the world economic slowdown continues, led by a world manufacturing recession, it is important the UK has an economic stimulus. The US is growing faster thanks to past big tax cuts, spending increases and recent interest rate cuts. Yesterday the Bank of England once again continued their squeeze, refusing to join the ECB, Fed, and the Central banks of China, Australia, Brazil and all the others that are cutting rates to provide an economic boost.