

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.