

Tullett Prebon Research, a blog by Dr Tim Morgan

The budget – too little too..... *by Tim Morgan on March 20, 2013*

Today's budget confirms, as I've been saying all along, that the British economy is far weaker than most commentators have been prepared to accept. As well as a further sharp downwards revision to growth expectations, debt projections have risen again. This budget surely confirms, were confirmation needed, that spending at (or anywhere near) current levels is simply unaffordable.

To give credit where it's due, George Osborne is absolutely right about the critical importance of deficit reduction. Second, he has at least made a gesture towards the obvious. For a long time now, I've been calling for the government to shift the balance from current spending to capital investment. Unfortunately, the moves outlined by the Chancellor go nowhere near far enough, and the government's investment targets are, for the most part, the wrong ones anyway.

For a start, £2.5bn of additional capital investment is small beer in relation to a £1.55 trillion economy. Second, it's likely to be spent in the wrong ways. Britain emphatically does not need long-term, big-ticket glamour projects like the HS2 rail link. What is needed is investment that can begin virtually straight away, that will take up slack capacity, and that will meet real economic and social needs. Nothing fits that bill better than a major programme of building social housing for rent. Do we want new homes (and jobs) now, or faster trains in 2025? The question surely answers itself.

No-one – least of all me, with my long-standing advocacy of building council houses, and my equally strong line on deficit reduction – should recommend higher spending without saying where the money should come from. The answer is simple – there should be far deeper cuts in current expenditures. Some argue that really big cuts in current spending aren't possible. This, quite frankly, is baloney.

Consider the facts. Between 1999-2000 and 2009-10, and expressed at constant 2012-13 values, Labour increased public spending by £264bn, or 57%, from £460bn to £724bn. Even if we allow for the impact of an ageing population, Gordon Brown presided over a real-terms spending increase of around £200bn, against which the current administration has reduced expenditures by only £20bn.

Of course, apologists for higher spending tell us that public services have improved. Really? The doubling of health spending, for instance, has given us an NHS so good that between 400 and 1,200 people died of neglect at Stafford alone, and Professor Sir Brian Jarman [now reckons](#) that unnecessary deaths in 14 hospital trusts may have totalled a staggering 20,000. Money well spent?

The reality, of course, is that much of the new money poured into public services has funded the "vampire squid" of a permanent administration now so divorced from accountability that not a single head has rolled over Stafford. If Prof. Jarman's numbers are right, will even 20,000 preventable deaths be enough to create accountability? Frankly, I doubt it. There are more "managers and senior managers" in the NHS than there are sailors in the Royal Navy. The permanent administration has become both an unaccountable empire and a national

make-work scheme. Neither the Exchequer nor the public services themselves can afford this incubus.

The country's inability to afford the bloated bureaucracy is underscored by the budget, which shows growth expectations downgraded for the umpteenth time, the deficit reduction plan veering ever further off course and debts continuing to mount, with national debt (on the Treaty definition) expected to top 100% of GDP by 2015-16. We cannot even begin to put things right unless the economy grows.

Bureaucrats cannot contribute to that. Builders can.