

This was a “small beer” budget with little fundamentally changed

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Reflecting on yesterday's budget, **John Van Reenen** argues that an opportunity was missed. While there were good things in the budget, the 1p off a pint of beer was symbolic. This was a budget in which little changed and the Chancellor yet again failed to offer a proper growth strategy to get the UK moving again.



The backdrop to George Osborne's fourth budget was not pretty. He slashed his growth forecasts for this year by half to a miserable 0.6%. This is the slowest recovery for over a hundred years with low wages, high inflation and debt rising until 2017/18. The Chancellor continues with his broad fiscal path which means the pain will continue for many years.

With hindsight, the massive cuts in public investment after 2010 were a mistake that made a bad situation worse. The impact of such cuts in a deep recession were underestimated both by this government and by previous Labour administration. The Budget's promised increase in infrastructure spending of £3bn a year is better than nothing, but it is simply too small and too late – it won't start until 2015. It should be four times as big and begin immediately. Worse, the infrastructure spending is funded by yet another squeeze on spending. It would be better to take advantage of the rock bottom interest rates and borrow to invest as Vince Cable has argued. The markets are not scared of money being used to improve roads, power stations and our creaking transport system. Borrowing for a mortgage is not the same as borrowing to go to the Costa del Sol.

There were good things in the Budget. Increasing the personal allowance to £10,000 a year earlier than planned will take more low earners out of the tax system completely. The support for homebuyers through shared equity and guarantee underwrites will help housing a bit. The Bank of England has a bit more flexible remit.

But the symbol of the budget, which got the biggest cheer in Parliament, was the 1p off a pint of beer. (It's surprising that the government is reducing booze taxes when it's trying to make us drink less of the stuff.) It was a “small beer” budget with little fundamentally changed as the government's ship continues to plough the same course. Rather than behave like the captain of the Titanic, I think the Chancellor needs to change direction and get a proper growth strategy to get Britain moving again.

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