

The Budget: Weathering The Storm For Social Justice
Christian Perspectives On Public Affairs, Vol. 3 No. 8, 17th April 2003

Gordon Brown has famously been dubbed "prudent" throughout his chancellorship. This year, in the first wartime Budget for half a century, prudence reaped its reward. The Chancellor was able to stand by his commitment to record increases in spending on key public services while also making provision for the war and the worldwide economic downturn.

Over the past year, uncertainty has continued to affect business and investment around the world. Economic growth, especially in the Euro-area, has remained weak, with adverse consequences for the UK economy. But Britain has today:

- the lowest inflation for thirty years;
- the lowest interest rates for forty years;
- the highest levels of employment in our history;

and we are still enjoying the longest period of growth in living standards for half a century. In my own East End constituency it has been the fall in unemployment which has done the most to improve people's prospects - for the first time in 50 years, UK unemployment is lower than all three of the rest of Europe, the US and Japan. While other countries struggle to cut unemployment and encourage growth, Britain is moving towards full employment, and able to focus on investment in health and education.

Those who prioritise tax cuts argue that the extra spending is not delivering results. The evidence in my constituency is otherwise. We have always struggled to attract GPs - today we have more in post than ever before. I can see a new optimism among those responsible for our local hospital as they plan for a big new investment. Nationally, we now have 39,500 extra nurses, 5,000 more consultants and 1,500 more GPs than in 1997. In education, the improvements were evident earlier, but there too there is more to come. One of the most welcome things for me is that investment is building a renewed sense of the value of public service.

As well as maintaining the commitment to public services, the Budget delivered some welcome reforms. A new income tax exemption has been introduced to support recruitment of foster carers. The Child Trust Fund will ensure that every child has money in the bank by the age of 18 by giving £250 to every new born child, and £500 to the least well off. Pensioners over 80 are to receive an extra £100 on top of winter fuel payments and pensioners in hospital are to gain from longer state pension entitlements. We have introduced a package of new measures to help lone parents find work - church-based organisations have been key partners in making a success of the Government's New Deal programme. To protect the environment we have lowered vehicle excise duty for the cleanest vehicles. Incentives for charitable giving are to be strengthened further by enabling self-assessment taxpayers to direct tax repayments to nominated charities. And Gordon Brown set aside half a billion pounds for reconstruction in Iraq and spelt out his ambition for agreement at the G8 in June to an International Finance Facility to address global poverty.

Iain Duncan Smith's main criticism of the Budget was that Gordon Brown was irresponsible to rely on higher borrowing. This criticism strikes me as misguided: the Chancellor's ability to borrow more at a time of economic slowdown is testament to his prudence since 1997. Traditionally, as tax receipts fall, governments have to increase borrowing to cover spending, but they are usually

hampered by the fact that borrowing is already high. The result has been either unsustainable borrowing or a failure to meet spending commitments.

No such stark choice was faced this Budget Day. Gordon Brown has been cutting debt for the past six years: since 1998/99 public sector net debt as a percentage of GDP has fallen from 40.1 percent to 30.9 percent. On taking office, Gordon Brown announced he would adhere to the sustainable investment rule, which requires debt to be kept below forty percent of national income. He now has room to increase borrowing in order to maintain his investment in public services. He is comfortably able to increase borrowing to 32 and 33 percent of GDP over the next five years because past debt reductions mean Britain is still set to achieve a surplus of £32 billion over this economic cycle.

This was a fairly low key Budget but contained some key decisions. It showed again, as Tony Blair has said, that *"a sound economy and a fair society are two sides of the same coin"*.