

[Our view on the autumn statement](#) [1]

Written by [Sam Bowman](#) [2] | Tuesday 29 November 2011



Eamonn Butler, Director: A £40bn business loan scheme, mortgage guarantees, £5bn of infrastructure spending, 'youth contract' apprenticeships, start-up tax reliefs, new R&D tax credits, extending free child care ? these are all Gordon Brown-style tinkering measures that look good in the papers but end up being bureaucratic and wasteful. Far better to leave the money in people's pockets and cut taxes, which will boost confidence.

The most surprising thing in today's autumn statement was the Office of Budget Responsibility analysis that the Brown Boom was far bigger than anyone thought. That means the inevitable bust that followed it has been bigger too. There's still light at the end, but the tunnel's got longer. The government won't actually stop adding to its debts until maybe 2017.

It's good that the government will explore tearing up national public-sector wage agreements and move to local bargaining. Then, wages will fit local conditions. At present, the public sector pays so well in the most depressed areas that the private sector is priced out ? accelerating the decline of the wealth-creating sector in those regions.

It's good that public debt will peak at 78% of GDP in 2014/15. As we have seen from across the eurozone, it's when public debt breaches the 80% limit that real economic problems begin.

It's also good that people's right to buy their council houses will be invigorated, with discounts up to 50%. This is a good way of getting capital into people's hands, and helping them take charge of their own future.

Extending the business rates holiday, the 1% cut in company tax next April, the changes on industrial tribunals and the freeze in fuel duty certainly will help business. That's vital, because the only way out of a debt trap this big is to grow our way out.

Sam Bowman, Head of Research: Heavy on detail, light on content. There's still no supply-side growth plan, but there are worrying signs that the Chancellor is a closet Keynesian who really does believe that spending is what makes the world go 'round.

Credit easing is a repeat of the US's subprime mortgage practice, where risky borrowers were packaged together and given a tacit government guarantee. Doing this for businesses is just as dangerous as doing it for home buyers. It risks creating a repeat of the 2008 crisis and will do nothing good for British business. Furthermore it adds £20bn to UK contingent liabilities and will cost £1bn directly.

Using taxpayers' money to underwrite 95% mortgages is immoral ? it will draw people into home ownership who will be unable to afford their loans when interest rates eventually rise again. And it risks

setting off the same sub-prime events that got us into this pickle in the first place. Banks are sitting on huge reserves of money already ? they aren't lending because the fundamentals of the economy are so weak. A brute-force treatment like credit easing does nothing to solve the economic disease, little to alleviate the symptoms, and may ultimately kill the patient.

With growth as anaemic as it is, more cuts are desperately needed to stave off crisis. Freezing public sector pay for longer is a good step in this respect, but the money saved is going to be going on wasteful infrastructure projects, which are probably more designed to improve the government's electoral standing than the country's economic health. "Stimulus" projects do nothing of the sort ? widening motorways here and there isn't going to revitalize the economy. Going Keynesian in marginal constituencies is a reckless waste of money.

ASI view: Instead of Osborne's disappointing plans outlined in the autumn statement, the government should have considered the following:

- Scrapping the minimum wage for under 25s
- Abolishing 50p tax rate and lowering the 40p tax rate to 35p
- Scrapping mandatory retirement age
- Abolishing employer national insurance contributions
- Speeding up the raising of the personal allowance to get the poorest out of tax entirely
- Reviewing government spending, cut out what doesn't need to be done, contract out whatever possible, think afresh on delivering what's left
- Bringing forward and deepen the cut in corporation tax
- Getting to grips with the quangocracy

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