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The budget we need [1]

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This is a waste of breath, because there is no Plan B and no Plan A+ (and therefore no prospects of the Conservatives being part of the next UK government), but here goes.

The policy of letting public spending drift slowly upwards, hoping it will be outpaced by growth, is shot. There is no growth. Our trading customers (mainly US and EU) are floundering, and domestic investors, businesses and customers are in lock-down, waiting to see what happens.

The Bank of England tries to cheer things with rock-bottom interest rates and money-printing, to no avail. Vince Cable wants us to go into debt to build roads. Another hopeless cause.

When you have had a long cheap-credit boom as we have, you must expect a long recession as resources are reshuffled back to where they ought to be. We have to liquidate all those boom-time investments that are simply unsustainable in normal times. But we haven't had much of a recession. The authorities are trying to re-stoke the boom. We need to let the market do its job of reallocating assets to better uses.

Regulation deadens the market. We need radical pruning. Why not take small firms out of employment regulation completely: make them more confident to hire and expand.

Tax kills economic activity too. We need a corporate tax rate lower than Ireland's and to scrap capital gains taxes, which just lock people into outdated investments. We need to move swiftly to take everyone on minimum wage out of income tax entirely, to encourage people off benefits and into work.

To balance the short-term loss of tax revenue, we need expenditure savings. But not salami-slicing. We should focus on what the state really needs to do and cut out whole programmes and departments (like Vince Cable's Business Department) that nobody would miss.

And we need to let the private sector into everywhere that it is excluded: into education, infrastructure, healthcare, public and local services, and much else. Stand out of the light, and watch the economy grow.

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