

A Budget done on a budget

[Harry Ashcroft](#) argues that the recent Budget fails to address Britain's pressing economic issues

Monday 25 March 2013



Photo Credit: The Prime Minister's Office

Without a doubt, the 2012 Budget was a disaster for the Government; whilst the reduction in the top rate of tax was the right thing to do, the political cost was great. Indeed the Daily Telegraph, one of the government's most loyal voices of support, wrote of last year's budget as a "tax cut for millionaires funded by pension freezes on the most vulnerable in Britain".

With the perception of it as privileged and out of touch with the needs of 'ordinary' folk being readily jumped upon by the opposition – giving ground to the near impossible task of making Ed Miliband seem statesman-like and prime ministerial – 'Budget day' last year marked fairly clearly the day when Labour went from matching the Tories in the polls to consistently maintaining a 10 point lead. This meant that yesterday George Osborne was under the pressure of his life; having to both salvage his reputation, the Conservative parties record of economic competence and the possibility of re-election in two years time.

Considering how little Osborne had to spend in light of an ever stalling timetable of deficit reduction and the continued lack of growth in the UK economy, this years' budget was surprising for many in how proactive Osborne has become, with this budget almost meeting those challenges he faced. Unlike last year, this time Osborne cannot be accused of providing a budget for the wealthiest, the most expensive aspects of it focused entirely on small businesses, first time buyers and those on the lowest incomes.

Firstly, Osborne introduced an 'Employment Allowance', entitling small businesses to hire four minimum wage employees before the firm would pay National Insurance. This is important because as though our economy is producing new private sector jobs at a growing rate that is surprising even the analysts, they aren't translating into economic growth for the simple reason that too large a percentage of them are part time. However this measure should encourage and end this underemployment trend as the cost of employing is reduced, meaning more of these part-time jobs can become full-time, giving workers greater incomes and more confidence in their ability to spend too.

Secondly we turn to Income Tax; the chancellor did something Labour did not; raise the tax threshold to

£10,000 a year earlier than promised. Whilst a small sum in terms of the overall amounts spent by the treasury, the tax reduction should begin to alleviate the lack of consumer demand in the economy, the real thing stopping economic growth. The chancellor's theme of an 'aspiration nation' was reinforced by further cuts to Corporation tax, leaving Britain with the most competitive rate in the G20. The chancellor also made some more populist policies for the financial year, scrapping this year's fuel duty hike whilst reducing the cost of Beer by 1p per pint. Both, however small, should reduce inflationary pressures in the economy as both have fairly high levels of consumption, and not just in the student market.

Whilst these measures are all positive in my opinion, some have in my opinion unfairly criticised the Chancellor for not going further: these tax cuts and investments were funded by underspends and further departmental cuts and are thus responsible and affordable. However, we should also be aware that many of these measures are populist and will only take place in 2014-15, a year shy of the General Election. By then it will be too late to do anything about the current slide of the pound, today's rise in unemployment or the OBR's halving of growth forecasts. Whilst being a budget which will win Osborne both praise and potentially votes, the budget also represents the sheer inability of any government to effectively do anything about the state of the UK economy. State finances continue to hang in the balance with the debt crisis in Europe, the continuing recession and the state of the world economy remaining a threat well beyond the next election. Consequently, though Osborne is right to address the deficit, the failure of Osborne's policies to reflect these problems may haunt him for longer than the 2012 budget.



Most Read **Discussed**

1. [The York floods 2015: What's the damage?](#)
2. [What does Theresa May's new Brexit plan mean?](#)
3. [An update on the US-China trade war](#)
4. [A workplace revolution: a four-day week?](#)
5. [The University as your landlord: friend or foe?](#)
6. [Managing your finances at university](#)

Write for Nouse Business

[Get in touch with the editors](#)

[Join the Facebook group](#)

More in Business

[What does Theresa May's new Brexit plan mean?](#)

[The University as your landlord: friend or foe?](#)

[An update on the US-China trade war](#)

[A workplace revolution: a four-day week?](#)

[Managing your finances at university](#)

[Tesco launches new discount store chain Jack's](#)

[About Nouse](#)
[Who's Nouse](#)
[Website Credits](#)
[Contact Us](#)
[Advertising](#)
[Archives](#)
[Student Discounts](#)
[Print Editions](#)
[Mini-Sites](#)
[Nouse on Twitter](#)
[Nouse on Facebook](#)
[Nouse on Google+](#)

© 1964-2018 Nouse

[Policies](#) |

