

'A woeful budget for woeful times'

As fourteen years of Conservative government appear to be drawing to a close, it is entirely apposite that its last budget should be as underwhelming as everything else it has sought to do.

'Timid', 'uninspiring' and 'ineffective' are some of the words that have been used to describe it. Deckchairs and ocean liners also come to mind. As Ewen Stewart points out in a leading article for *Global Britain*, nothing in the Budget came close to tackling the deep-seated problems which now threaten to cripple the country.

Where to begin? The highest tax take since 1948; an unreformed and woefully unproductive public sector including especially the NHS; a decade of flat-lining economic growth and a culture of welfarism which has seen those on out of work benefits soar from around 8 million to 9.2 million.

In the 1970s Britain was described as the sick man of Europe. Fifty years on that label hangs around the nation's neck once more.

THE BUDGET A WEEK ON – APPEASERS PLEASE NO ONE

By Ewen Stewart

LAST WEEK'S budget has failed. It was timid, did not tackle the critical question of out of control public spending and indeed rewarded failure with yet more money for the NHS with

no clear productivity improvement targets. 'Please perform better' was the message without any route map as to how that might be achieved.

Further, and as a result of a grossly inefficient state, the tax cuts were derisory. And given the personal allowance thresholds continue to be frozen, the total tax take as a proportion of the economy will likely continue to rise. How much is too much Mr Hunt?

Perhaps worst of all, through ever increasingly generous benefits undermining the work ethic yet further, it encouraged the cautious to not seek work. Just recently the Office of National Statistics (ONS), whose staff are evidently threatening to strike as they have been asked to come into their workplace two days a week, increased its estimates of the long term work shy from around 8 million to 9.2 million. Oh, the irony, 9.2 million is not far off a quarter of the workforce – making a mockery of the official statistic of just 3.9% unemployed.

Did Jeremy Hunt try and address this? Quite the opposite –benefits are rising further. This is economic stupidity.

Hunt and Sunak simply fail to understand the gravity of the situation, meekly appeasing all around. Not only will such appeasement fail economically it will fail politically as neither the recipient of public largess, nor the hard pressed who pay for this failure, will be remotely happy. And so it seems, if current opinion polls in reaction to the budget are to be believed.

The British tragedy, however, is the Labour Party's prognosis will compound the problem. They will likely double down on every abject failure this notionally Conservative Government has inflicted on the nation with even higher tax, spending, regulation and redistribution.

Let's examine what has happened under Conservative rule over

the last 14 years and try and navigate the likely Labour response.

It is a matter of fact that in 2010 taxes were 32.4% of GDP. The OBR estimates taxes are now the highest since 1948 at over 36% GDP today.

Public spending was 40% GDP in 2010, up from 32% just 10 years earlier. Now, in 2024, it is not far from half the entire economy.

The national debt was £1,100bn in 2010. It is over £2,700bn today. The rate of change in each instance is greater than any European nation save Greece and Cyprus – bar none.

The results have been woeful in almost every respect from NHS GP availability, to waiting lists, from the size and potency of the armed forces to infrastructure capacity and effectiveness and from the crime rate to energy security and efficiency.

Perhaps even more significant, however, has been the loss of personal liberty as politics has moved from merely an economic debate into one encompassing almost every sphere of life. It has moved well into the private sphere curtailing family choice in a manner that would have been unthinkable a decade ago.

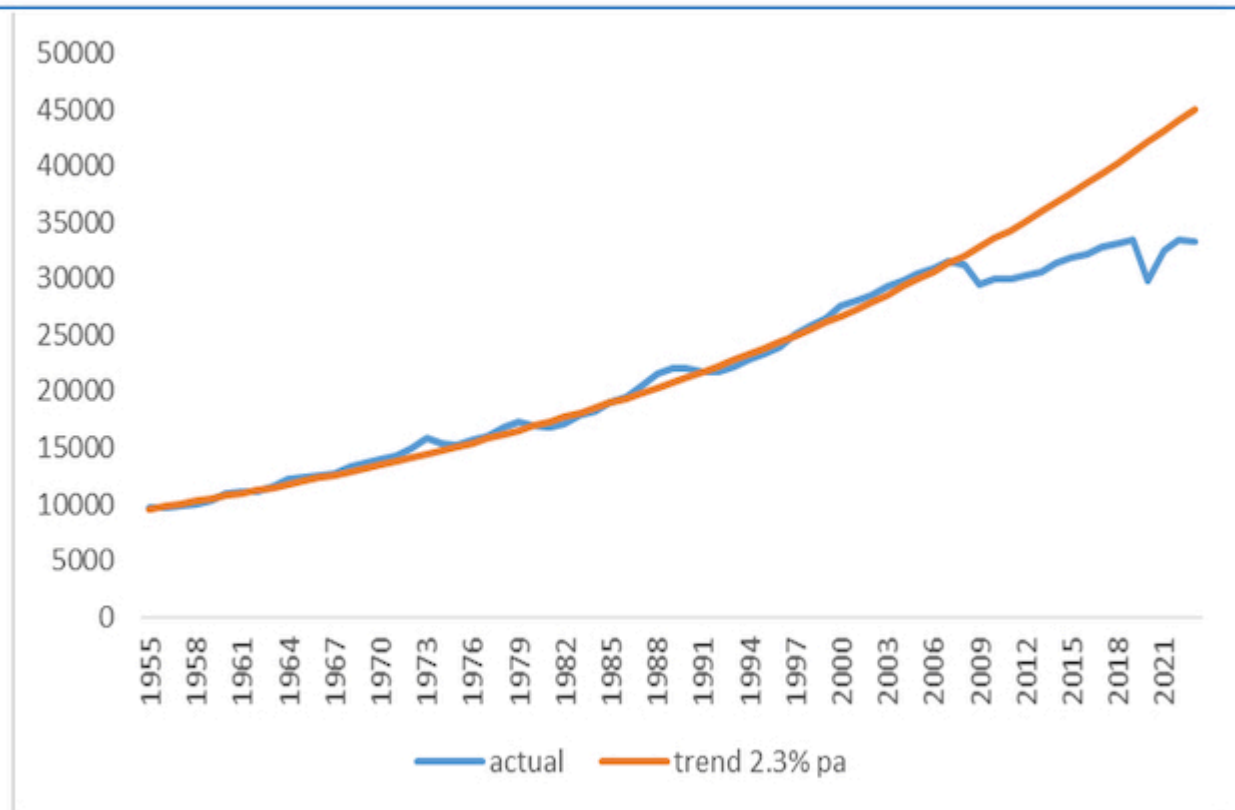
Economic growth per head as a direct result of these policies has been, without exaggeration, the worst on a per capita basis in two hundred years.

As a reminder, between 1955 and 2010 per capita GDP growth consistently averaged 2.3%. Since 2010 it has averaged 1%. And over the last six years it's been virtually zero. The difference between 2.3% and 1% might not sound much, but the compound effect is immense.

As outlined by the chart below if growth since 2010 had

average the long term trend per capita income today would have been £45,062 not the current £33,271 – a staggering £12,000 per person of lost opportunity. The cake is relatively smaller, liberty is reduced and the risk of material instability is growing.

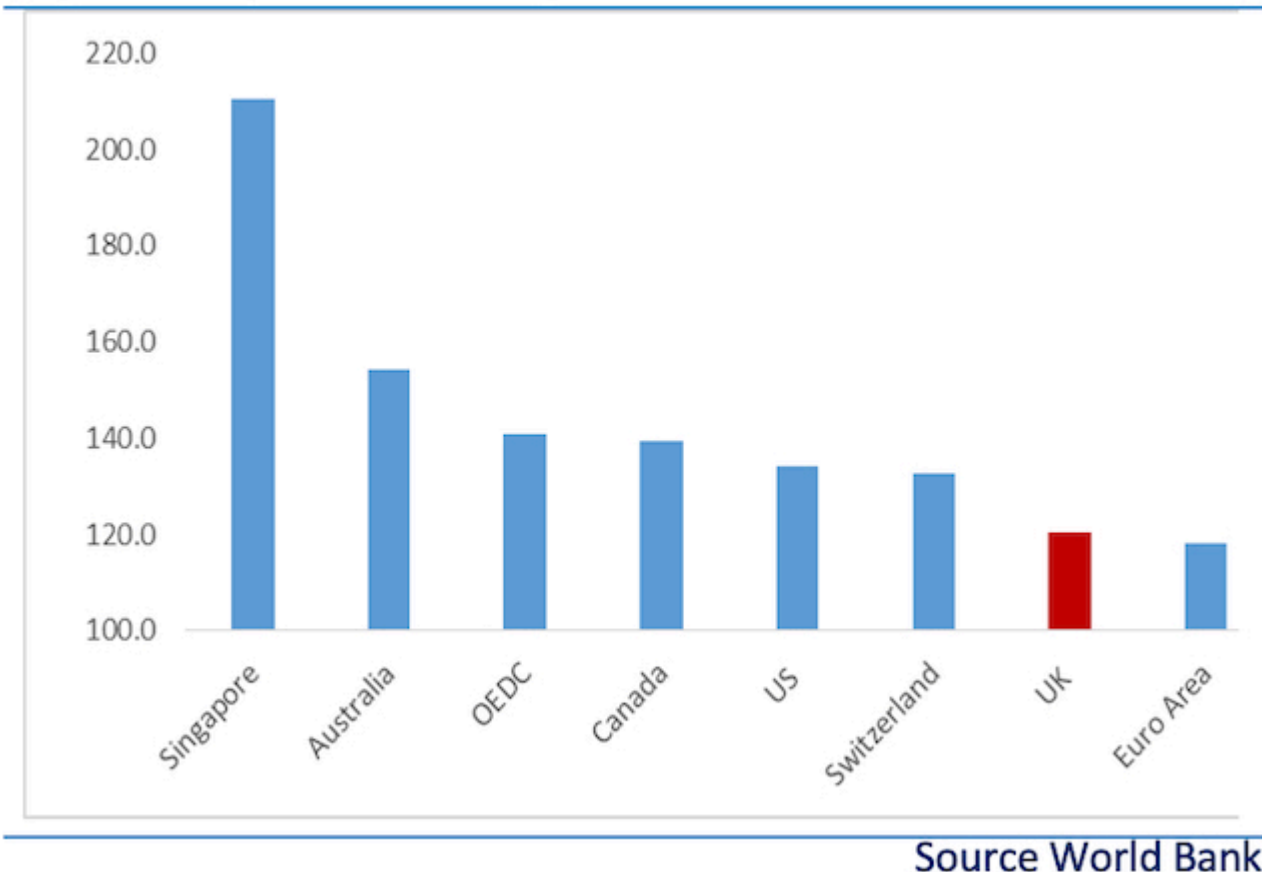
UK GDP per capita 1955 to date with trend growth of 2.3% from 1955-2010



Source ONS & Walbrook Economics

This is a British (and European) failure. Every other developed region has done so much better, manifestly so. It is simply untrue to argue this is a developed nation issue as the chart below indicates. It is simply down to making very poor policy choices.

Major developed nation GDP growth indexed to 2022 2005=100



Tragically, however, Labour has in almost every respect argued it's not enough. Its leaders have consistently proposed even more extreme measures. Labour claims the NHS is underfunded. It refuses to say whether 1.4 million visas granted is acceptable or not with the strong suspicion being they will continue a near open border policy.

It supported in lockstep the catastrophic lockdown which has impoverished the nation in so many ways (of which economic is merely one) and almost certainly would have been even more draconian. It cheered for woke which is perhaps more honest than the Conservative wailing, but in reality does nothing and often supports attacks on private thought.

While I suspect Rachael Reeves will be constrained in her spending plans to a fashion, Labour's solutions will further weaken an already unsustainable trend. Reeves says there will

be no wealth taxes but watch out for council tax revaluations leading to far higher bills for many, a cap on pension provision and of course a vindictive attack on private education. Beware – for you may or may not have children impacted by higher school fees courtesy of VAT on private schools – but don't celebrate – for what you like may well be next.

They will tax and control, doubling down on net zero, employment, equality and energy regulation – further creating confusion, expediency and arbitrary Government. Planning and decision making in this environment is near impossible and with it so prosperity will wither. While on migration and woke the Conservatives talk the talk and then do nothing – Labour generally believes in the revolutionary remodelling of our society, so my guess is you've seen nothing yet.

Just as Labour embedded its ideas in quangocracy, legal tripwires and institutions deeply hostile to liberty, now it will likely take its interventions to a new level. Its ideas for local democracy are mad and bad. Devolution in London, Wales and Scotland has been a disaster – embedding extreme and illiberal ideas.

Its proposal is to create yet more Government at regional level throughout the UK – encouraging division, embedding bureaucracy and creating regional Soviets up and down the land – pitching shire against inner city. The definition of insanity is to keep on repeating previous failed ideas as if eventually they will throw up the right answer.

This country is facing a crisis, economic, cultural and moral. The Conservative Party has abjectly failed by adopting hard left ideas. The expansion of the State, not just in raw numbers but in regulation and control is far more extreme than anything Jeremy Corbyn had the temerity to propose.

Starmer and Reeves might appear softer in appearance than

Corbyn and McDonnell, but their cloaked pronouncements so far, in almost every case, have been an even harder-edged versions of the failed policies of the so called Conservative Party.

Ultimately a crisis is coming.

The laws of economics can only be trashed for so long. The tragedy is remedy is not difficult – but time is short. Another five years of creating a client state and it may simply be too late to remedy.

Our brightest and best are leaving. University quotas are causing many to seek University education abroad, some will never return.

The UK saw the third largest net migration away of millionaires in 2023, a larger absolute number quit the UK than quit Russia under the sanctions it faces – and proportionality three times as great a loss.

And if that's not bad enough, the UK is officially the world's second most miserable country, with only Uzbekistan performing worse. An extraordinary fall for a nation that has given the world so much.

And the debate in the UK media is either profane, on the digital editing of a nice family photo featuring the Princess of Wales – or the absurd, with suggestions of military conscription – when in the Budget the Chancellor could not find an extra pound.

All the money's gone on welfare benefits and the NHS for there to be any left for the country's already hollowed-out defence.

Our debate is delusional but whether our elite like it or not slowly but surely the people of this country are losing confidence in those who govern us, while global capital is losing confidence too.

The situation is highly fragile with the top 1% paying 27% of

the income tax base. Not many need to leave to cause severe problems.

Fortunately, after writing this, I am off skiing next week. I can't wait to be honest; fresh mountain air, hearty Austrian fare on the mountain and a sense of freedom as one skids down the piste with my son over-taking me!

Next time I shall write about solutions and how to change direction. For without a change of direction, although I cannot predict when, it will go pop. So, this will be my last 'woe is us' article for a while. The problems we face are clear and obvious. On my return we shall look at solutions, what a free society might look like, but indulge me one last time. 'Woe is us!'

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About the author: Ewen Stewart is a City economist whose career has spanned over 30 years. He is director of Global Britain and a co-founder of Brexit-Watch.org.

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