

# UK Budget SPRING 2012

## Reforming Economics UK Budget Day Spring 2012: Up to the minute assessment: Our green economics perspective



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UK Green Budget 2012 comments by Miriam Kennet  
(a green perspective and comment 2nd 11 am March 2012)



### **ECONOMY AND PUBLIC FINANCES**

Overall after only 5% of cuts and austerity pain:

In fact figures just in show an amazing doubling of borrowing: how on earth can the Chancellors position be maintained: screwing up the economy and the deficit and borrowing hugely worse than last month:

This is absolutely unacceptable !

Figures are now ....twice as bad as forecast !

Public borrowing last month hit an incredible £15.2 billion jump in February's net borrowing excluding financial interventions and was a record for the month and compared with £8.9 billion last year. The City had forecast a £7.9 billion rise. according to the Belfast Chronicle

"Total borrowing for the year to date is £110 billion, the Office for National Statistics (ONS) said, and with a month of the financial year to go is £17 billion away from the full-year target of £127 billion. Last year, public borrowing in March was £17.95 billion."

This shows the Chancellor has no control of the economy and cannot be allowed to continue. What is being borrowed with the economy more or less stagnating. How on earth is it possible to get it so so wrong?

This shows incompetence of staggering proportions: quite an achievement.

**Pain and cuts only 5% so far with 95% still to come**

**Most economists do not believe that the predicted austerity package is possible as its the most austere ever proposed anywhere for a sustained period. It looks like even with this austerity package this government has actually managed to make the position even worse!**

. 95% of cuts are still to come. Family silver being sold off : latest is our national roads to be sold off to private contractors.

National Health Service Challenged without a government mandate for reform.

The current government promised not to ruin the health service which for once the public was pleased with as waiting times were shorter. It is as well to notice that the dangerous fiasco with putting mattress filling and hip replacements that leaked were all done in private medicine. The benefits of that private medicine go to the health care privatised companies and the government and society pays the bill to save the people who had this unfortunate surgery external costs are once again picked up by the tax payer.

**Unemployment** Unemployment is now 2.68 million according to the Office for National Statistics.

The unemployment rate rose to 8.4%, its highest since 1995, and up 0.3% with half of young black youths unemployed.

1.3 million people are now working part-time because they are unable to find a full-time role: the highest number since records began in 1992.

No of claimants is now 1.6 million and youth unemployment is 1.04m

More money is being lost to the costs of strikes than at any time since the Thatcher government. This government is Thatcher mark 2 with no imagination.

Unemployment across the economy rose by 118,000 in the three months to November, to 2.68 million, the ONS said, in the latest sign that the UK slowed sharply in the autumn.

The unemployment rate rose to 8.4%, the ONS said, its highest since 1995, and up 0.3% over the quarter.

Increase in the number of claimants was 1,200 in December to 1.6 million.

However, the ONS said a total of 1.3 million people are now working part-time because they are unable to find a full-time role: the highest number since records began in 1992.

The number of young people out of work is also continuing to rise, hitting 1.04 million in the three months to November, up 52,000 on the three months to October.

We need to give young people a citizens income to get them active again.

I cant believe the Chancellor did NOTHING for young people : its completely mad ! he will alienate an entire generation! Did he learn nothing from the riots last year ?

**Public sector jobs cuts: some figures:**

Unions have launched another attack on the public sector jobs "carnage" today. Louisa Peacock reports: Unions have launched another attack on the public sector jobs "carnage", with new figures showing a 381,000 reduction in state jobs since the general election. But it is falling on deaf ears as the Chancellor is unlikely to announce any plans to reverse the state cuts in the Budget.

### **Public sector jobs cuts: women hit hardest but also other workers:**

(figures Peacock job carnage) Public sector employment fell from more than 6.3m before the general election to less than 6m at the end of last year.

The biggest loss of jobs was in the South West (52,000), followed by London (46,000), the North West (45,000), Scotland (38,000), East of England (32,000), Yorkshire and the Humber and the West Midlands (both 27,000) and the North East (24,000).

### **Robbing the poor and ordinary people to pay for the rich: reverse Robin Hood 800 years later! Are we going backwards with this government?**

Same with the banks the mess was created privately and we all have to pay for it to be sorted out.

Today the government will rob the poorest and most vulnerable in society: removing some allowances from disabled people and give them in a tax give away to those with the very highest incomes over £150,000 1% of the population, removing top rate of tax and reducing it to 45% from 50% . It is important to remember that the poorest in society use most of their money on essentials and therefore feel the pain. Those at the top use it for luxuries and investment. In such a year of austerity this is absolutely immoral!

With regard to climate change which is starting to cost everyone money, the government has seriously reneged on its promises and removed stability in the renewables and green markets with the fiasco about feed in tariffs. This is possibly the least green and most cynical government ever. Robbing the poor and disabled and blatantly giving to the rich : how can the nation stand by and support it ?

Similarly Fracking causing local earthquakes: a danger to people and their lives and property is really silly, dangerous and short sighted. And expensive. The costs get transferred to the community, ( so called externalities get met by the rest of us ) much better to have government led demand management and an urgent switch to renewables!

Mansion tax was called for houses over £2million: this is welcome: No one needs to buy a house worth over £2million. It is important everyone has somewhere to live and this anomaly meant such people were paying less proportionately than everyone else.

### **Energy**

The Chancellor is going to stimulate the oil and gas industries: ? How is this possible when we know climate change, drought etc is hurting our economy more and more and faster and faster?

**Spending and taxes in total** The spending cuts have scarcely begun and 95% are still to come. Debts amazingly are still rising according to the Office for National Statistics and expected to peak at 78% of GDP. In spite of all the pain this government has not got the

debt under control even now. It likes to blame the previous government but really the current government has created a real mess which is now very difficult to get out of without a real stimulus to the Uks manufacturing base and a revival of home industry, production and also reshoring all the outsourced jobs and a campaign to enhance and support British industry. The cuts have been more severe than expected but are harming our national economy. The one good thing is as Britain stagnates inflation has finally come down. But nothing is happening and lots of small businesses are either going out of business or fearing going out of business. The business rates for large corporates are coming down faster than for small businesses. There was nothing in the budget for small businesses. Except I suspect a hidden tax increase in the paperwork changes he proposed.

**National Debt** The governments recipe is to borrow more from China or to sell off infrastructure including national assets such as water to China and other sovereign wealth funds. This wont in any way revive our economy. Its time to start making things here at home and to look at the whole basis of our economy, our education and our knowledge and take a role of excellence and a lead in renewables and in the knowledge economy. Reducing consumption of those things we have to buy in and increasing production of those things we consume here and export.

The Chancellor seemed to muddle up investment in Britain: and buying up assets of Britain proposing specifically China and other countries come here and buy up our infrastructure ?He didnt seem to appreciate that exporting and making things would make us richer and selling off assets would make us poorer overall. There seemed to be prominent confusion there

## **TAXES**

**Income tax** Reducing the top rate of tax to 45p helps the very rich but is expected to stop some avoidance by the ultra wealthy so would not deplete the countries coffers. However we argue the squeezed middle and lower earners need it far far more as luxury markets and brands are doing extremely well. The rich dont need more help: they need help contributing to society, this is NOT the way to do it. It is further utterly immoral at a time like this to enhance the pay packet of the extremely wealthy at the expense of the rest assuming this extra wealth would trickle down in increased jobs. In fact as we have seen half of young people are unemployed in certain groups and nothing has trickled down at all !

Young people have an epidemic of binge drinking which he acknowledged as a cost to society but then did nothing about it. It seems that since there are no jobs for young people he expects them to continue in an orgy of binge drinking as they wont have jobs to disturb them. How utterly lacking in ambition of him, for our youngsters,.

**Personal allowance:** The tax-free threshold is expected to be raised from £8,105 to £9,200 next year at a cost of about £3bn. **Stamp duty:** Foreign companies buy UK residential property, and avoid stamp duty. The new top rate of 6pc a so called Mansion tax is to be imposed on homes worth more than £2m raising about £500m.

'Tycoon tax' 20pc tax for very high earners was proposed by the Liberal Democrats but rejected by the Tories, most of whom are very high earners in their own right.

**Council tax** A new top rate of council tax could be brought in on high-value homes which is only fair Pensions. Pension tax relief could be cut which would hurt people already struggling womens pensions are already very badly hit.

**Corporation tax** Aiming to get it down to 23pc and to 20pc at a cost of about £3bn. We believe small and medium size companies must now be given tax incentives as they are the life blood of a local economy The help to banks to lend to small businesses is not

going to help as it will give those already qualifying a slightly reduced interest rate but won't help any of them who can't currently get loans, and begs the question: what is it for? who will it benefit. Small companies urgently need help and support, training and loans, access to credit and also schemes to support them to help them survive and also to be able to take on staff to create jobs. **National Insurance** One year National Insurance holiday for every employee aged under 25 hired because of disastrous youth unemployment.

Seed capital Tax relief for investors extending from equity to debt.

**Fuel duty** Due to rise by 3p per litre in August as our CO2 commitments become ever greater and the drought will start to cost the country money. There is a world hike in the price of oil and this was highlighted by Christina Laguard yesterday as a threat to the world economic recovery.

### **The effect on women**

Womens Budget Group assessment

Cuts in direct taxes are no compensation for cuts in public services and tax credits.

Women benefit less than men from cuts to direct taxes and lose more than men from cuts to public services and tax credits. Lowering the top rate of tax from 50p to 45p gives large benefits to a few very wealthy people, mainly men and will do little or nothing to create decent jobs.

Meanwhile, the poorest families will gain nothing from raising the personal tax allowance, and those who will not gain from this measure are predominately women, some because their earnings are already below the threshold; some because they have no earnings at all because they are caring full-time for others in their families; and some because their life-time earnings are so low that their pensions are below their threshold.

Professor Diane Elson, Chair of the Women's Budget Group, said in response to the Chancellor's statement: "Rather than any cuts in income tax, the Chancellor should have used this Budget to put money in the hands of less well off women, who would spend it in ways that are much more effective for job creation than will rich men."

The Women's Budget Group is a network of over 200 academics and activists.

### **Rest of the budget**

**Child Benefit** most commentators seem to have forgotten why this came in. Basically give a woman money and she spends it on her family and her children helping the entire community, Give a man the money and the likelihood is some will be spent on cars and other things for him: The idea was that all mothers had a least some money to spend on the family without interference. Women the world over suffer from doing more work at home and many suffer from domestic violence, most recently in Russia in endemic proportions but its everywhere at all levels of society.

This money : child benefit is the only benefit specifically for women. Now its being scrapped or removed from women to pay for the rest of the budget. We sincerely believe that child benefit needs to be left alone and not to two earner families but to Women regardless and directly to them personally. Women are bearing the brunt of the austerity, the stimulus packages are aimed largely at industrial jobs where they are less represented and their pensions have already been under attack. Apparently 80% of the current cuts affect womens jobs more and 1.1 million women have lost their jobs in the current round of cuts. So child benefit is the one thing women had and it should NOT be removed. Families with one higher-rate taxpayer will lose their child benefit this year saving £2.4bn, at the rate £44,000 to £50,000, costing about £200m. This has now been rectified to £50,000 lower level of removal and £60,000 higher level cliff edge.

**Tax avoidance** A General Anti-Abuse Rule (GAAR) now companies have to check beforehand with HM Revenue & Customs saving £7bn a year by 2015.

Help for North Sea oil: The Treasury is expected to begin plans for legally binding contracts tying all future governments into decommissioning tax reliefs. The measure would provide certainty and stimulate more than £20bn of investment, the industry reckons. There would be no cost implications for the Exchequer. No investment in renewables and no incentives to save carbon: one of the most old fashioned budgets in the world.

UK PLC future

The future he sees as faster broadband, pharmaceuticals, aerospace, creative industries, media, (He mentioned Disney but yesterday Disney posted a profits warning) and energy but what energy every other country is after low carbon energy but NOT the UK it seems.

Foreign companies Help for TNCs investing in the UK is the same idea as what wrecked the Irish economy with tax incentives for large companies, making less money available for infrastructure: large companies must be pay equal if not more tax than householders and smaller businesses. The current measure proposed means that foreign earnings will not be taxed. More multinationals would come here, but this was tried in Ireland and Estonia and in both cases led to disaster. Small companies need incentives not large ones in today's climate.

Privatisation and incentives for investment in infrastructure. Selling off our national assets and roads is going to make us all poorer and not a good idea. Once again the building industry gets help. The spread of government help in a recession needs to target those most in need and ordinary people not just the richer speculative industries.

**Creative industries** Help for the flagship UK film and video game industries is to be welcomed.

**Regional Pay** Much of the public sector will be very badly affected by this, the idea being that regional pay will decrease. This means those public sector workers who moved out of London will see their pay stagnate and reduce and they won't be able to move back. More importantly the national pay scales will disappear making it much harder for trade unions to argue to support wages, whilst some wages of this kind have risen many have not with typically many public sector jobs still very low. The wage gap and the unemployment disparities between the north and south of England are already giving cause for concern without making this worse.

**Green Comment:** What I am missing here is any kind of modernisation of the economy, any kind of green stimulus, any kind of incentive for us as a nation to get ourselves educated or trained or to compete on the world stage, this strikes me as rearranging the deck chairs on the Titanic as the boat slowly sinks to the bottom whilst the Chancellor fiddles so ensure the rich get the final pickings of the UK economy and carve it up with the larger companies the ultra rich own. It is a recipe for the UK to descend to become a much more unequal banana republic without the means to grow our own bananas.

This budget lacks imagination, and a realistic view of the future, it is a true son of Thatcher budget but even without her grocer's daughter practical mitigation, although keeping her cruel edge on inequality. Quite a feat but a disaster for a nation whose economy is not even keeping up with others in a similar mess and GDP growth (flawed though it is) not even up to 1% for another year running. This government seems much more concerned with its own backbenchers and their disparate views than the needs and rights of the British people.

**Women:** are being hit from all angles, pensions, child benefit, austerity and cuts in the

public sector.

**Young people** only message here is to save the employers money: nothing otherwise for young people which is incredible as they are the future and are termed the lost generation, it seems the case to help them is totally compelling, only a chancellor completely out of his depth would fail to address the crisis in young peoples careers and employment Disabled people are currently losing many of their benefits, even Downs syndrome people can't get care allowances they need. The most vulnerable are of course trampled over in a budget like this. **Pensions** Robbing pensions is a favourite in time of austerity, however of course there are more and more pensioners so not helping the pensioners is political suicide apart from unethical and immoral.

Nothing here to stop poverty, nothing here to stave off climate change, nothing here to help biodiversity, nothing here to generate natural or human capital in future and nothing here to help Britain survive in the global economy! Nothing here in terms of exporting or even making an attempt to revive our industrial basis or our manufacturing and leading us to degenerate into a client state of larger sovereign wealth funded states and a pathway for even more debt being owed by us to them.

**Medium term projection** In the medium term a disaster. A budget for the rich and powerful and for the benefit once again of investors who can take their surplus money abroad. A budget to encourage ethics free short term disembodied investment from those who have absolutely no ties to the UK and don't care what happens to it. No mention of national assets that really matter such as clean air, water and healthy soil and agriculture and diversity and local business and home industries support. No mention of our relationship to the Eurozone, no planning for defaults in Europe. No planning for diversification of exports. No helping with other industries apart from financial and construction. Ignoring the 15% of the economy which is industrial. A road to nowhere!

Surely we can do better in creating a fairer, more sensible, more creative and viable UK PLC economy for the 21st century!

Lets have some imagination and a special budget to address what really counts and get Britain moving again !

Miriam Kennet March 22nd 2012