

## The big issue in the Budget is growth

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I'll be in Radio 2 on Wednesday talking about the budget. It's always slightly challenging to talk straight after the Chancellor has sat down because the devil is always in the detail when it comes to what he has to say. And of course, that's not issued until he sits down.

But to some degree this week that can be ignored. There will be some surprise tax announcements - many trailed already. Personal allowances for a year's time will be trailed and will go up. The rate of corporation tax reduction will be sped up; the abusive changes that will permit companies to move their earnings offshore and not pay UK tax on them will likewise be rushed through. And some sort of announcement of a review on megging income tax and national insurance will be made - although it will only be a review (and more on this, anon). It's even rumoured the non-doms might be hit - a rare welcome move if it happens.

But this is not the real deal. The real deal is that [tax revenues in the year will be as much as £4](#) billion more than expected - 75% of it income tax. In other words, Labour's policy for growth, in place when it left office, worked.

And the rest of the deal is that this won't recur. [As the FT says this morning:](#)

*Government spending cuts have hit the UK's largest building companies earlier than expected, with the shelving of school, hospital and prison building programmes halving the value of public sector work.*

*The 10 largest companies were awarded £2.7bn of new work during the six months to March, down from £5bn for the same period a year ago, according to data compiled for the Financial Times by Barbour ABI, the construction information service.*

£2.3 bn of lost revenue means maybe £1 bn of lost tax (government spending is always in part self funding, of course it's a reason why its multiplier effect is so strong). And that's before the knock on effect in the economy of the spending of the balance of £1.3 bn or so.

With a government dedicated to withdrawing spending from the economy the chance of similar tax growth is small.

With limited chance of tax growth the outcome is obvious - the deficit will not fall as planned.

This is the big story in the budget - that it will offer no way out of the situation we're in.

That's the result of Osborne's failed thinking.