

Lynne

I watched the budget announcement on Tuesday 22nd June and thought it would be wise to get in touch.

Much was made during the presentation by the Chancellor of this being a progressive budget. It is a great shame that this is not true, and one is left to wonder if the repetition of the word 'progressive' by Mr Osborne was an attempt to make something true by saying it enough times.

Part of the mystique with budgets is no doubt that the population (me included) are generally reliant on experts to be able to untangle the web of changes to taxation, benefits and government policy. It is of great value that organisations such as the Institute for Fiscal Studies (IFS) exist to provide a non-partisan dissection of what the budget means. The news is, frankly, shocking.

Not being an expert with finances I will quote the IFS directly. I will point you to this document which looks at the redistributive effects of the budget:

<http://www.ifs.org.uk/budgets/budgetjune2010/browne.pdf> (Slide 17)

The chart makes the first fact clear: **This budget hits the poorest in society hardest.** I believe there is an argument to be made for using expenditure rather than income to compare the effects - slide 19 does this and the results are similarly shocking. This leads me to my first question:

1. Were the Liberal Democrats aware of the net effect of this budget: that it targets the poorest disproportionately.

The second question is perhaps obvious:

2. If the answer to (1) is 'yes', then why did you sign up to this budget? If the answer is 'no' then why are you part of a coalition that puts through such changes?

Much has been written about the decision to raise VAT to 20%. We can be sure that, as a proportion of income, this hits the poorest hardest. The chancellor said that "the years of debt and spending" had made this necessary. Although this fits your narrative well, it is untrue, as the IFS have calculated - see page 2 of this:

<http://www.ifs.org.uk/budgets/budgetjune2010/chote.pdf>

To summarise, the LibDem proposed increase in Income Tax bands is almost precisely offset by the VAT increase - there would be no need for the latter if it were not for the further.

3. Why did your government make this false representation?

4. Of what benefit is it to increase income tax bands if a VAT rise is required to

compensate?

My final area is that of the purpose of the budget. I assume we are all in agreement that the most important thing the budget should do is return the country to sustainable and stable growth, which in turn will mean the deficit can be paid off. The Office of Budget Responsibility are an independent arm of the Treasury. Their verdict on the budget is similarly damning:

http://budgetresponsibility.independent.gov.uk/d/junebudget_annexc.pdf

Point C18 on page 5 of the PDF explains that the effect of the budget will be to reduce growth in 2010 and 2011. It is not until 2013 that growth is forecast to outstrip the pre-budget estimates. This would appear to fly in the face of numerous reports that the recovery is weak, including that bastion of the left-wing, the CBI:

<http://www.independent.co.uk/news/business/comment/britain-to-avoid-double-dip-but-recovery-will-be-weak-cbi-warns-1999789.html>

Days before the budget they stated 'efforts to get borrowing under control would undermine the strength of the economic recovery'. Hence my final question:

5. Do the Liberal Democrats believe that short term growth should be sacrificed to gamble for higher growth in the future? If so, why did you say the opposite to this in your election campaign?

The Labour party made a massive mistake removing the 10p tax rate. The public clamour was, rightly, deafening, and the government of the day were forced to back track. During this issue an MP made the following statement when challenged whether his party was really the party of the working class or the middle class:

"Tell that to the bottom 20 percent of earners in this country, who are now paying a higher proportion of their income in tax under Labour than the top 20 percent. It is frankly outrageous..."

Source: <http://www.guardian.co.uk/uk/davehillblog/2010/may/03/nick-clegg-london-working-class-housing-policy>

The person who made this statement was Nick Clegg. Now your party has delivered a budget that hits the bottom ten percent of earners much worse than the top ten percent of earners. What happened?

Tom Page