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Sajid Javid's spending review shows the Government lacks a coherent economic policy

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Buttressed by this week's expulsion of MPs, Boris Johnson's Conservative party now has a clear, united and unambiguous policy stance on Brexit.

The same, sadly, cannot yet be said on economics.

Chancellor Sajid Javid's first major fiscal event – a spending review for 2020/21 – was as confusing as it was nakedly political.

An attempted “man for all seasons” act from the Chancellor muddied the waters on the Tories' public finance position and produced mixed messages about its priorities, not least policies to facilitate economic growth.

At times, Javid appeared to be debating a range of fiscal and economic ideas with himself. The most glaringly obvious example was on the public finances, as the Chancellor painted himself simultaneously as a fiscal conservative and the man boldly ending “austerity”.

Up front, he announced he has “always believed in the importance of living within our means”. Later, he celebrated delivering “the fastest increase to day-to-day spending for 15 years”, harking back to the era of New Labour profligacy that left the large structural deficit the Conservatives have been cleaning up.

Substantial increases to police, education, NHS, social care and infrastructure funding saw the review add £13.4bn of additional public expenditure next year.

With a 4.1pc real increase in departmental spending in 2020/21 its centerpiece, and real growth forecast to be just 1.4pc, that represents an explicit decision to increase the budget deficit as a share of GDP.

For all the commitments to fiscal housekeeping then, Javid will be the first Conservative Chancellor for a decade to widen the budget shortfall by choice.

With Brexit-related uncertainty likely to worsen the public finances further in the near term, the Government will most likely breach its “fiscal mandate” to keep borrowing below 2pc of GDP and may well struggle to keep the debt-to-GDP ratio from rising again.

The nature of the speech sparked confusion too about what “ending austerity” means in practice. Javid outlined his definition: that no department will see its budget cut in real (inflation-adjusted) terms.

If his decisions really were just allowing gently rising spending in line with growth to maintain a manageable deficit, then fiscal conservatism and ending the squeeze would not be incompatible.

But the scale of increases for certain departments actually seem designed to reverse austerity in targeted areas. Hence the media and the opposition judged “the end of austerity” against the previous cuts made.

The massive education funding increase reverses the very departmental spending restraint delivered in education since 2010, for example.

It’s one thing to say that “hard choices have got us in a position where spending can now slowly rise again from a lower baseline”. It’s quite another to claim that savings from spending cuts have made room to reverse those very same decisions, as Javid implied.

As one user on Twitter commented, this logic is a bit like saying that cutting your intake of calories per meal in half allows you to eat twice as much.

Labour will understandably ask: “If borrowing is fine to spend more money to improve education, as you claim it will, then why did you cut education spending in the first place in the name of reducing borrowing?”

Javid’s reasoning provides no answer.

In that context, his announcement that a future Budget would review the overall “fiscal framework” was unsurprising.

For now we have little idea what the Government wants to achieve with the public finances, though, except for being relaxed about announcing new borrowing ahead of an election.

If the public finance pronouncements were confusing, the broader economic approach also lacked consistency.

Outside the EU, for example, Javid painted an optimistic picture of Global Britain embracing economic liberalism in pursuit of growth.

The country would, we were told, use its repatriated powers to revise EU regulations, scrap needless red tape, ditch inefficient programmes and embrace global free trade.

Yet when it came to domestic policy, Javid’s approach changed with the admission that many people thought the “free market model isn’t living up to its promise”.

Though there were some sensible noises on re-prioritising infrastructure funds to deliver more value, his tone suggested he now saw Government activity as a key source of creating and spreading prosperity to all corners of the country.

His outcome isn't the problem here. A pivot to putting robust growth as the central plank of the party's economic narrative would actually make a lot of sense.

As an excellent new paper by policy thinkers Stian Westlake and Sam Bowman argues, slow productivity growth has greatly contributed to today's political malaise. Improving it would alleviate a host of social and economic challenges, by delivering higher wages, better returns for savers, lower taxes, and lower deficits.

But Javid's speech again suggests a clear set of principles and diagnosis does not yet exist in Government to explain why growth has been sluggish and what to do about it.

In fact, the large focus on increasing health, education and police spending doesn't necessarily imply the Government will prioritise "going for growth" at all.

Now, at one level, all this uncertainty and lack of clarity is not surprising.

Boris Johnson's administration has existed for a short time. Delivering Brexit is clearly its central ambition. The Chancellor's jumble of different economic policies and mixed public finance messages make more sense if designed to keep a broad Brexit coalition together for the coming election battle.

At some stage though, whether it's a manifesto or a programme for government, the Conservatives will have to be much clearer about their economic priorities and intentions.

Whatever you thought about deficit reduction, voters knew what the Government's central economic aim was between 2010 and 2016, and the actions being delivered to get there.

Wednesday's spending review exposed the lack of a similar, clear economic purpose.

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