

Impact of the Budget on British Industry

Gill Bentley



We wait to see what impact the Chancellor's budget will have on industry. It is very clear that the situation is dire. As Joseph Stiglitz, the former chief economist of the World Bank, has said "lower output and rising debt across the continent are nothing but a toxic brew".

Social unrest is a real prospect if the Chancellor does nothing to support industry, fails to stop the cuts and does nothing to boost employment.

The possibility that the Chancellor will scrap the planned 3p rise in fuel duty might ease household budgets and give a boost to the car industry as the Prime Minister suggested in his visit to the Mercedes-Benz plant in Milton Keynes last week.

With manufacturing output down and the prospect of a triple dip recession, something needs to be done to restore confidence in the British economy for it to regain that triple A rating from Moody's.

Vince Cable, the Minister for Industry, waded into the debate this last week to suggest that the government's austerity policy is not working. He was backed by the Office for Budget Responsibility, which saw the cutbacks in public expenditure as causing contraction of the economy.

Consumers are not spending, businesses are not investing and given a downturn in demand in the regional theatres of the global economy, the prospects for growth in manufacturing output through exports is not good.

I would agree with the British Chambers of Commerce, which said that £2.2bn of current spending needs to be shifted to provide financial support for capital spending in high growth industries and that a large dose of Keynesian demand management through public expenditure on infrastructure projects is required.

However, the most important policy that is required is to stop the cuts in public expenditure and to let people keep their jobs and create more, so that people can spend and be taxed, as can the rich, as a way to reduce the deficit. The trouble is that much more needs to be done to boost domestic manufacturing production and consumption capacity in the UK – just as the Chinese are thinking of doing – to build on competitive strengths and to address regional disparities.

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