

BBC News

Budget 2010: Britain on 'road to ruin' without cuts

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Britain is "on the road to ruin" unless action is taken in the Budget on Tuesday to cut the deficit, Chancellor George Osborne has told the BBC.

Mr Osborne said the coalition had inherited "a truly awful financial situation" and he would set out a four-year plan to deal with it.

Tough action was "unavoidable" but he aimed to provide "prosperity for all".

He also announced ex-Labour minister John Hutton would head a commission into public sector pensions.

Mr Osborne told the BBC's Andrew Marr Show that Mr Hutton's involvement would mean the commission into future pensions would be independent and have cross-party input.

'Decisive action'

The chancellor refused to give more details of the coming Budget, although the BBC understands it will include Conservative election proposals to ease National Insurance for new businesses.

It is expected the employers' threshold for NI will rise slightly - by £21 and Universities Minister David Willetts confirmed on the BBC's Politics Show there would be measures to boost firms outside of the South East of England.

This is expected to take the form of a three-year scheme to exempt start-up firms elsewhere in the UK from paying NI for the first 10 people employed.

Mr Osborne did not comment when asked about that suggestion, but did confirm there would be a levy on banks and an increase in non-business capital gains tax.

Asked about the "badness" of the Budget, he said: "I don't see it as badness, I see it as decisive action to deal with Britain's record budget deficit.

Analysis

Norman Smith,
Chief political correspondent, BBC Radio 4

All eyes on Budget day will be on the chancellor but watch closely too the Liberal Democrat benches. The word from the Treasury is that the budget was signed off not only by David Cameron and George Osborne, but also by Nick Clegg and Danny Alexander. The implicit message - the Lib Dems are fully signed up to the cuts package. Only, perhaps that should read - the Lib Dem leadership are fully signed up. For when the Lib Dem chief secretary Danny Alexander unveiled his £2bn cuts package earlier this week - just one solitary Lib Dem rose to support him. There's also been a deafening silence from other senior Lib Dems. Has anyone heard much from Paddy Ashdown, Ming Campbell or Charles Kennedy recently? Labour too sense the Lib Dems are getting the jitters. Hence Ed Milliband's depiction of Nick Clegg as a "crypto Tory". So come Budget day - expect Mr Clegg to be casting anxious glances over his shoulder towards his own party.

[What should be in the Budget?](http://www.bbc.co.uk/blogs/haveyoursay/2010/06/what_should_be_in_the_emergenc.html)

http://www.bbc.co.uk/blogs/haveyoursay/2010/06/what_should_be_in_the_emergenc.html

[Nick Robinson: Why Hutton?](http://www.bbc.co.uk/blogs/nickrobinson/2010/06/why_hutton.html) (http://www.bbc.co.uk/blogs/nickrobinson/2010/06/why_hutton.html)

[Hutton to head review of pensions](http://news.bbc.co.uk/2/hi/politics/10360203.stm) (<http://news.bbc.co.uk/2/hi/politics/10360203.stm>)

"We sit here as the country in Europe with the largest budget deficit of any major economy at a time when markets and investors and business are looking around the world at countries that can't control their debts.

"And so we've got to deal with that. In that sense it's an unavoidable budget, but what I'm determined to do is to make sure that the measures are tough but they're also fair and that we're all in this together and that, as a country, we take the steps necessary to actually provide the prosperity for the future."

But amid continuing speculation about large scale spending cuts, Labour leadership hopeful Ed Balls warned that the government was on course to "repeat the mistakes of the 1930s".

He said the cuts and tax rises set to be announced in Tuesday's Budget - which he expected to include VAT increases - showed the "unfairness" of the Conservative-Liberal Democrat government's policies.

Fellow Labour leadership contender Andy Burnham said the Lib Dems had "sold their souls" for jobs in government.

Shadow chancellor Alistair Darling said the Conservatives were "using the current circumstances" as an excuse to make "ideologically driven" cuts they had planned anyway and were "using" the Lib Dems "as cover".

While Mr Osborne declined to set out more detail of what would be in Tuesday's Budget, Prime Minister David Cameron has already suggested public sector pay and pensions will have to be restrained.

He said the budget deficit could not be dealt with by "just hitting either the rich or the welfare scrounger" and the Budget would be when "the rubber really hits the road".

Senior Tories and Lib Dems signed off the Budget on Friday with Mr Cameron, Chancellor George Osborne, Deputy Prime Minister Nick Clegg and Chief Secretary to the Treasury Danny Alexander all present.

Forecaster's warning

The involvement of so many high level figures from the two parties is being seen as an attempt to show the coalition is fully on board with the decisions to be announced in Mr Osborne's first Budget, on Tuesday.

One area of possible unhappiness among Lib Dems might be raising VAT - deputy leader Simon Hughes said "all" Lib Dems have been against it "because it's what's called a regressive tax, everyone pays it irrespective of the wealth you have".

Asked if it would be acceptable for the Budget to include an increase VAT, he said: "It won't be the most desirable outcome."

There have been suggestions some state benefits could be frozen and a survey by ComRes for the Independent on Sunday found 53% of the public backed stripping child benefit from wealthier families - including 47% of Labour voters - with 42% opposed to the idea.

But the government's poverty adviser, Labour MP Frank Field, said he was opposed to means-testing child benefit, which costs taxpayers about £11bn a year.

Meanwhile, the influential economic forecaster the Ernst and Young Item Club, which uses the Treasury's own models to make its predictions, said £48bn worth of spending cuts and tax rises were needed to eradicate the part of the deficit which would not melt away with economic recovery.

Mr Osborne confirmed that Capital Gains Tax would rise in the Budget, despite a free market think tank, the Adam Smith Institute, warning it could actually cost the government as much as £2.48bn in lost revenues.

It argues that higher tax rates will discourage individuals from selling assets, denying the government the CGT they would gain from the sale.

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