

The Fiscal Charter is a Fiscal Con

By [Mike Green](#)

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“Embarrassing, embarrassing, embarrassing”. So summarised John McDonnell, the Shadow Chancellor, of his own party’s response to the trap of Osborne’s fiscal charter. With a surprise commitment to back it announced at Labour’s conference, followed by a predictable u-turn, he has orchestrated a shambles. Yet due to our constitutional principle of Parliamentary sovereignty it is impossible to bind future Parliaments so this shouldn’t really matter. The fiscal charter can be ignored quite simply by including within a future budget bill a provision for its repeal. In short it’s a stunt. However it’s a stunt which will have negative consequences for the country.

This is because Osborne has imposed upon himself a constriction to an overall surplus as opposed to a current budget surplus as is right and proper. The restriction to an absolute surplus is economic foolishness when record sustained low interest rates present the prime opportunity for investing in infrastructure that will provide a return for the taxpayer. Modernising our railways for the 21st Century and expanding broadband coverage to help rural businesses are just two vital undertakings this will hinder. Both undertakings we championed in coalition.

Osborne’s economic narrative, even where plainly wrong, now goes unchallenged as Labour have left the land of fiscal responsibility, making estimations of recoverable evaded tax many times those of reputable sources and having the Bank of England print money to fund spending. But there is an alternative progressive party that is economically credible. The Lib Dems’ plan included eliminating the current deficit by 2018/19 (a task made easier by not having to carry through base-appeasing commitments like an inheritance tax cut for millionaires) and recognising the role business, particularly SMEs and the self-employed, have to play rather than dismissing them. We are able to credibly say that Osborne’s neglect of capital investment is economically illiterate and will deny the country a secure grounding for future prosperity.

However as the official opposition is in chaos the government will continue without proper scrutiny on these crucial issues. Governing a party ridden with factions – Runnymede Tories, Eurosceptics – should

have been challenging for Cameron given a majority smaller than John Major's. Yet due to Labour incoherence, from the Welfare Bill onwards, their effective majority has more than doubled. With that comes the possibility that even the most damaging of Cameron's policy agenda, such as the repeal of the Human Rights Act, may succeed.

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