Alistair Darling - Budget Speech, April 22nd 2009

The Chancellor of the Exchequer, **Alistair Darling**, delivered arguably the most significant and divisive budget since Labour's election in 1997. The key announcement was the creation of a new 50 per cent rate of income tax for those earning over £150,000 per year, however this headline measure did not overshadow a stark Budget report which outlined the bleak state of the UK economy.

The Chancellor told the Commons that government borrowing would amount to £175 billion this year, £173 billion in 2010/11 and will reach a total of £606 billion over four years. In addition darling confirmed that the economy will shrink by 3.5% - its worst performance since 1945 and it was revealed that the Bank Bailout had cost the nation approximately 3.5% of British GDP. However, Darling confidently predicted that the economy will begin to grow again by the end of the year and, coincidently, will grow by 3.5% from 2011. In addition he claimed that Britain's record budget deficit will be halved by 2013.

As well as announcing the new top rate of income tax, the Chancellor's Budget axed pension relief for those earning over £150,000 and confirmed 2% rises in tobacco and alcohol duty. The Treasury also plans to raise fuel duty by 2% from September assuming there is no dramatic hike in the price of oil. The Chancellor's plans to balance the books will, nevertheless, rely on operational efficiency savings. Darling claimed that already £26.5 billion had been realised in savings and another £9.4 billion had been identified. The budget speech contained an additional commitment to raise a further £16 billion from the sale of assets.

Looking at the effect the recession has had on employment the Chancellor unveiled a new commitment that every unemployed person under 25 shall be offered a job or place in training if they have been unemployed for more than twelve months. The full programme will be worth £2 billion with £250 million dedicated to industries with the potential for "strong future growth". Additionally, there will be funding for 54,000 new sixth form places and £1.7billion in extra support for Job Centre Plus. The Housing market was also touched upon by Darling. He committed the Treasury to extending current stamp duty holiday to the end of this year and the Chancellor said that an extra £500 million will be invested in house building.

Referring to his first ever 'carbon budget' Darling announced a number of environmental measures. The Budget confirmed that the Government's controversial car scrapage scheme will offer a £2000 incentive to car buyers who dispose of vehicles which are over ten years old. The Chancellor said that the Government must cut carbon emissions by 34% by 2020 and the first measure that will help achieve this is a £525 million fund to support offshore wind power. Darling added that an extra £435 million will be made available for energy efficiency programmes.

The speech delivered by Alistair Darling contained commitments to increase the basic state pension by at least 2.5%, regardless of inflation, and maintain increased winter fuel allowance payments. Additionally, the Chancellor said that the tax free limit for ISAs will be increased to £10200 and statutory redundancy pay would rise.

However, the significance of Darling's speech came with the revelation that public finances are under more strain than at any time since World War Two.
The Chancellor's Budget demands huge levels of borrowing to stimulate investment to pull the country out of recession. Alistair Darling's predictions for growth and borrowing proved to be short of the mark when he delivered his pre-budget report in November. The Chancellor was not deterred from making equally bold forecasts in his Budget speech but it is far from certain that the measures announced will lead to the speedy recovery Darling confidently predicts.

Responding to the Chancellor's speech, Conservative leader, **David Cameron**, said that any claim Labour have ever made to economic competence is "dead, over, finished" following Alistair Darling's Budget.

He noted that Labour are planning to borrow more over the next two years than all previous Governments put together - and he accused Gordon Brown of writing a "whole chapter" of Britain's history "in red ink".

Cameron condemned the Budget as a "missed opportunity" and said it should have been used to help Britain move from an economy built on borrowing and debt to one built on savings and investment.

Liberal Democrat leader, **Nick Clegg**, called the Budget a "mish-mash of recycled announcements" and said this budget was a missed opportunity. Clegg criticised the Treasury's "lamentable" economic predictions and questioned whether billions of pounds in savings could genuinely be achieved without cutting a single programme.

Clegg concluded that the budget contained no real measures to change the banking system, little to assist ordinary families and a "tokenistic gesture" in increasing the top rate of income tax for the wealthiest one per cent of earners.