

Budget

By *bruno*

Created 12/07/2009 - 14:58

Submitted by bruno on Sun, 12/07/2009 - 14:58

The *first* aim is for the budget to be balanced (e.g. for government expenditure excluding debt repayment to be no greater than government revenues excluding borrowing), and, in good times, to generate a surplus that can be used to pay down government debt.

The *second* aim is for government expenditure to be as low as compatible with the fulfilment of the government's main responsibilities:

- defence of nation, property and person,
- provision of a social safety-net that guarantees a minimum income necessary to maintain a dignified quality of life, including sufficient food, water, shelter, warmth, clothing, healthcare and education,
- internalizing material externalities into the institutional framework, and
- protecting participants in markets against abuse of market power, anti-competitive behaviour, and deception,

in order that the burden of government sit as lightly as possible on people and businesses, to make the economy as competitive and dynamic as possible. Efficiency and competitiveness are the keys to prosperity for all.

The *third* aim is for the combined effect of government action (tax, borrowings, welfare, etc) not to favour or disadvantage particular groups.

The *fourth*, related aim is for the combined effect of government action to disincentivize individuals and groups as little as possible from socially-positive actions, such as work and taking responsibility for family and community. That does not mean social engineering, however - trying to steer people towards what the government judges to be desirable choices. It means making government action have as neutral an impact as possible on people's choices, but making the government overheads of those choices as low as possible, and not subsidizing anti-social choices for reasons of supposed social justice. If, for example, you are a single parent, whether by choice or by force of circumstance, it is not up to the government either to penalize you or to encourage you. It's your life to lead as best you can. The government should neither try to force you in another direction, nor insulate you from the consequences of your choices (other than in providing a bare-minimum social safety-net).

We set out on the next page the broad outline of how a budget should look that complies as closely as possible with these principles.

Source URL: <http://freeresp.com/content/budget>