

gimes, particularly Russia, make him an unreliable custodian of British national security. It may also have reignited the civil war within the parliamentary party that was halted by Mr Corbyn's election success. A string of Labour MPs stood up to support Mrs May rather than their leader.

Even before Mrs May spoke, the government said it would reopen inquiries into the deaths of other Russian émigrés who have died in Britain in mysterious circumstances. Some newspapers reported that there had been as many as 14 suspicious deaths. On March 12th another was added to the list: Nikolai Glushkov, a former head of Aeroflot, Russia's national airline, and a close associate of Boris Berezovsky, an oligarch who fell foul of Mr Putin and was later found dead in his home west of London.

Why has Britain responded more assertively to the Salisbury incident when it has turned a blind eye to similar ones in the past? Part of the answer is that it fits into a menacing pattern of an out-of-control state acting abroad without sufficient pushback. Partly it is because this atrocity was so egregious. Three people, including a police officer, are in critical condition, 40 more are being monitored for health problems, and parts of Salisbury have been sealed off. And some in the British establishment also feel guilty about the weak response to the murder of Alexander Litvinenko in 2006, when Britain dragged its feet and then expelled just four diplomats.

Keeping up momentum after this week will be hard. The West, including Britain, has a sorry recent history of behaving like a paper tiger when confronted with Russian aggression, as Crimea and Ukraine show. Mr Putin is good at playing on divisions and using oil and gas as a weapon.

Russia also has two other things on its side. One is that, since it is impossible to prove the Russian state's complicity, it is easy to drop two questions into the conversation. Why would Mr Putin go after such a low-level operative? And why would he do so just before an election and not long before Russia hosts the World Cup? The second is Brexit, which means that Britain is engaging in tense negotiations over its departure from the EU just when it needs its European allies' support.

There are plenty of ways in which Mrs May could trip up in the coming months. Critics say she should have been tougher still, especially over money. Yet this week at least marked a start of efforts to hold a rogue actor to account for attempted murder. It has also reopened divisions inside the Labour Party. It is a long time since Mrs May has looked so strong at home—and Mr Corbyn so weak. ■

Correction: Last week, we implied that Theresa May was home secretary when Alexander Litvinenko was poisoned in London in 2006. In fact it was Labour's John Reid. Mrs May was Tory home secretary during the public inquiry into the poisoning ten years later

The Spring Statement

Dead cat bounce

The chancellor boasts of good news, but the Brexit effect is plain to see

PHILIP HAMMOND, the chancellor, is doing what he can to shake his dull-as-ditchwater reputation. As is his wont at fiscal events, he peppered his Spring Statement, an update on the economy delivered to Parliament on March 13th, with wisecracks. "Mr Speaker," he said, waving his finger at the Labour front bench, "if there are any Eeyores in the chamber, they are over there. I, meanwhile, am at my most positively Tigger-like today." Labour's numbers, he said, were the product of a "briefing from Russia Today."

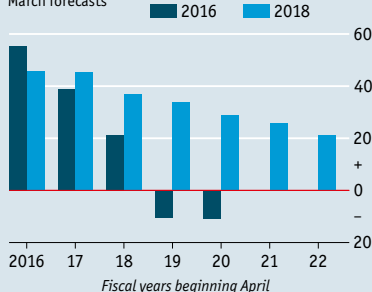
It is easy to see why Mr Hammond was in a good mood. The Office for Budget Responsibility (OBR), the government's fiscal watchdog, gave him improved economic forecasts. The OBR expects public borrowing over the next four years to be £145bn (\$200bn), £12bn less than was predicted last November. Britain's ratio of public debt to GDP is now expected to be lower next year than it was in 2016. Falling public debt represents "a turning-point in the nation's recovery from the financial crisis of a decade ago," Mr Hammond boasted.

Britain's public finances are indeed looking better, for a number of reasons. Since becoming chancellor in July 2016 Mr Hammond has resisted growing calls, including from within his own Tory party, to ramp up spending on things like local government and welfare. Tax revenues are also healthier.

Since the Brexit referendum in June 2016 the economy has performed better than most forecasters expected. The OBR once predicted GDP growth of 1.4% in 2017, but it now sees growth of 1.7%. Britain's four biggest taxes—income tax, national insurance, value-added tax and corporation tax—make up two-thirds of total receipts.

Take a step back, Tigger

Britain, public-sector net borrowing, £bn
March forecasts



All are returning revenues bigger than expected after the referendum. Corporation-tax receipts are expected to have risen by 4% over the past year. The weakness of sterling has meant that firms' foreign earnings are worth more. And revenues from income tax and national insurance have been boosted by a strong labour market.

Unemployment is close to a four-decade low. Nominal wage growth seems to be inching up as firms are forced to compete more for workers. Employees in the finance and insurance sector, on whom the government relies heavily for income tax, saw their pay increase by 7% in nominal terms last year. Low unemployment, as well as Britons' willingness to take on more debt, has also increased consumer spending, which explains why VAT revenues have also been strong.

But is Mr Hammond's boasting justified? The economy has outperformed the gloomy forecasts made just after the referendum. But it is by no means a star. On the same day that Mr Hammond delivered his statement, the OECD club of rich countries forecast that this year Britain will have one of the slowest-growing economies in the G20. Some businesses are delaying investment as they wait for greater clarity over Britain's future trading arrangements with the European Union. Brexiteers had hoped that a strong global economy and weak currency would produce an export boom. Britain's exports have risen, but less so than the G7 group overall.

The upshot is that the public finances are less healthy than they would be without Brexit. Shortly after the referendum, the OBR forecast that borrowing would rise by more than £100bn; the £12bn reduction in forecast borrowing is relative to that higher level. In other words, the extra borrowing expected as a result of Brexit is still vast—just not quite as much as originally predicted. Before the referendum Britain expected to eliminate its budget deficit by 2019 (see chart). The government now hopes to do this by the mid-2020s. Even that looks optimistic, however, since a rapidly ageing population will weigh ever more heavily on public spending.

In any case, progress on the public finances has come at a cost. Public services of all sorts are in trouble. Prisons are out of control. Rough sleeping has tripled since 2010. Cuts to the working-age welfare bill are expected to trim the real incomes of some of the country's poorest by over 5% in the next few years. Local government is in a tight spot: in 2016-17 two-thirds of councils that provide social care drew on their reserves to meet spending commitments. What is needed in the long term are higher taxes to combine high-quality public services with sustainable public finances. Even some Tories are coming around to this. Unless Mr Hammond does the same, few Britons will smile with him. ■