times net debt over core earnings by the end of next year. It also reported double digit growth in earnings in the annoucement ahead of a number of investor conferences this month.

The company, which

to be imminent.

Chief executive Ashley Almanza said the company still has "a long way to go to realise the full potential of [its] strategy", but that he was "encouraged by the group's progress and prospects".

A G4S customer protection officer in the US where growth is up

◆ Reputational issues remain
◆ Decreasing share price hints at low investor confidence
◆ Growth hampered by looming debt repayment

◆ New financing deals, including a bond, in the pipeline
◆ Selling parts of the business to raise cash
◆ Increased need for security services

Bonfire of taxes that would open the way to growth

RYAN BOURNE
IN THE CITY

After Budgets or Autumn Statements, commentators obsess over the distributional consequences of policy decisions. Columnists screech about "the bottom decile being made relatively worse off" or how a tax cut is "a giveaway for the rich". Whether we like it or not, an implicit "equality of outcome" goal is entrenched in our political discourse.

Yet economic activity is not a zero-sum game. This is because of economic growth. Consider this: if we could increase the UK's sustainable growth rate from 2.1pc per year to 3.1pc, then GDP would double every 26 years, rather than every 33. Raising growth rates by a small amount has far more dramatic impacts on people's living standards than anything redistribution could achieve.

Can we actually do anything though to substantially enhance growth rates? The evidence suggests yes. Today, the Institute of Economics Affairs publishes a new study on the effects of government spending and taxation on economic growth. It finds that the overall burden of government activity, the composition of spending and the shape of the tax system can all affect economic growth. There are lessons for Philip Hammond, as he settles down to produce his Autumn Statement.

Some government spending can bolster the growth potential of the economy. Infrastructure spending, for example, by greasing the wheels of economic activity, can improve productivity (though political decision-making can often lead to uneconomic schemes being approved over high-return ones – see HS2 and Hinkley Point). The provision of the rule of law and a fair judicial system can provide an environment conducive to investment. And a range of theories have been posited that government education or R&D spending can boost growth too.

Yet government activity can also undermine growth. Consumption spending, by shifting resources into a sector unbound by market disciplines, can lower productivity. Badly designed government transfers worsen incentives and reduce saving. The long-term taxation required to finance spending can also reduce the size and growth rate of the economy by reducing incentives to save, invest and innovate, or by distorting economic decisions and deterring transactions.

Putting all this together, government activity up to a point tends to enhance overall economic welfare, and beyond that reduces it. There is also a likely maximum size of government, beyond which the growth-retarding effects of higher tax rates actually reduce revenues (the Laffer curve). We show UK government spending is way beyond the usual welfare-maximising level (around 30pc of GDP), and may even be beyond the sustainable taxable capacity of the economy (between 35pc and 38pc of GDP). Given that we spend considerably more than Switzerland, Australia and Ireland, and somewhat more than the US and New Zealand, there is considerable scope for cutting government spending to boost growth.

How big might these effects be? A wide body of analysis suggests that a 10 percentage point cut in the burden of government spending is associated with a 1 percentage point increase in the annual growth rate. New modelling for our paper, which overcomes criticisms of this "growth regression" work, finds an almost identical result. A 10 percentage point fall in a combined index of top marginal tax rates and regulation, relative to its trend, produces an increase in the growth rate of about 0.8 percentage points per annum.

This should not surprise us. As the OECD has outlined, only about a fifth of modern day government expenditures tend to be economically productive. In the UK, government investment has fallen while welfare payments and other government spending have increased dramatically since the 1960s.

Of course, reducing government spending to maximise economic welfare requires major decisions on the scope of government activity. The IEA is just over a year into its five-year Paragon Initiative to examine around 40 areas of government spending to plan how this could be achieved most effectively. But a long-term roadmap of an ideal tax system designed to raise around 30pc of GDP can provide Chancellor Hammond with a guide for steps to a successful tax policy too.

'Raising revenues necessary to provide a state of an ideal size would enable the abolition of 20 current taxes'

Raising revenues necessary to provide a state of an ideal size would enable the abolition of 20 current taxes, including corporation tax, national insurance, capital gains tax, inheritance tax, council tax, and a range of duties. The reformed system would comprise a flat-rate income tax at 15pc of income above a personal allowance of £10,000; VAT at 12.5pc; a new housing consumption tax at 12.5pc; a new location land value tax; and fuel duty at around half the current rate. On a static basis, this would lead to significant income gains across the income distribution, with particularly significant gains for the poorest. In fact, static modelling suggests that the poorest decile would enjoy tax cuts worth 26pc of gross income.

As the Chancellor prepares his Autumn Statement then, we implore him to consider evidence of the long-term growth benefits of smaller government, and to take steps to rationalise the tax system to raise the revenue needed most efficiently.

Ryan Bourne is head of public policy at the Institute of Economic Affairs and co-author of its new report, "Taxation, Government Spending and Economic Growth".