

# The Chancellor should show he understands the cost of living crisis

The big rise in energy prices is like a big tax rise. It takes a lot of money out of peoples purses and wallets. It reduces discretionary spending as many people cut back to meet the higher bills for the basics. It ushers in stagflation as the economy slows and inflation stays high.

The last thing we need when energy- and now food – prices soar are tax rises as well. That compounds the squeeze and slows the economy more. Last month the U.K. economy after a year of fast growth slowed to just 0.1% whilst inflation rose again. Today we should expect a further rise in prices.

The Chancellor should announce now that he will remove the NI rise and take VAT off fuel. Of course he also needs to bring the deficit down. That requires growing revenues. Producing more of our own oil and gas will give revenue a big boost as there is a double corporation tax rate on that activity. Easing the squeeze will mean more VAT on non energy purchases as there will be more of them, and more Income tax.

It also requires better control over public spending. Maybe we could start by cancelling overseas aid to countries supporting Russia, and charge all the Ukraine spending to the overseas aid budget as a better substitute.

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## Ukraine

It is good news that the Ukrainian army and people have lifted the siege of Kyiv. The Russians by general report have given up trying to capture the capital or the west of the country, to concentrate their sieges on Donbas and southern cities. The tragic bombardment of Donbas continues, with indiscriminate attacks on civilians and the widespread destruction of homes.

Let us hope there is no return of Russian tanks and troops to Kyiv and the west. It means many Ukrainians who left the country are considering returning to their homes. Some will find their homes as they left them, others may find them looted or shell damaged. The U.K. and other NATO and EU countries should now direct more assistance to those who wish to return and to how buildings and services can be repaired so they can have a better life again. It is very important Ukraine returns as much of its land and economy to more normal working as possible and restores more homes for more of its people. That after all is what they are fighting for.

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## Fighting inflation without a big downturn

The Fed, the ECB and the Bank of England all made the same mistake last year. They carried on printing more money and buying up bonds to keep interest rates around zero for too long. They were right to offer a big stimulus in 2020 to offset the covid inspired downturn, but misjudged the recovery and helped fuel the inflation. They ignored those of us who warned against excessive laxity. They stuck to silly unrealistic forecasts of inflation for this year of around 2% when it was obvious it would rise considerably higher, especially in the USA where the stimulus was largest.

The Bank of England saw sense soonest, stopped money printing at the end of last year and has started to raise rates. The Fed carried on printing until March this year and has only just started to hike and unbelievably the European central bank is planning to print Euro 90 billion more in the second quarter of this year and is putting off tightening to be reviewed again in the third quarter. Spanish inflation is already at an alarming 9.8% and Eurozone inflation generally is over 7%. How much higher do they want it to go?

The UK has to be careful, as it is not only tightening money policy but also increasing taxation at the same time. The danger is this double hit to an economy which has been recovering well from covid lockdowns will prove too severe, slowing the economy too much. The Bank's tightening means dearer mortgages and credit, squeezing many consumers further as the high energy prices kick in like a big tax rise. That makes the NI rise and the tax increase on energy that comes with higher energy prices an inappropriate added threat to ,jobs and output.

The UK needed a bit of tightening to curb price rises. It does not need to lead world austerity just as the cost of living crisis hits. The government also needs to do more to assist and stimulate more domestic production of everything from fertilisers to gas and from food to microprocessors. To the extent that the inflation stems from a series of supply side shocks, boosting supply can start to right the position.

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## I want some more please

The government needs a touch of the Oliver Twist in its approach to UK food production. Freed of the Common Agriculture policy which left us short of

permits to produce milk, paid grants to rip out our orchards and used rules to slim our beef herds we expected a policy that promoted more UK produced food. We need to recapture the lost market share of the CAP years.

Instead so far the government has used its freedoms to pay farmers to leave farming, paid farmers to wild their land and stop growing crops, and paid them money for a range of environmental goods that impede or prevent food growing. What we now need is recognition that imported food can be hard to come by when the world experiences shocks like the Ukraine invasion and the gas shortages. There is a good green argument to cut the food miles. It is easier to be assured of the safety of our food and of the humane treatment of animals and birds reared for the table if the work is done at home under UK regulations.

Agriculture in most parts of the world is heavily subsidised and regulated by governments. Most countries use their powers and money to promote more domestic production, not to stop people farming. We need to catch up. The UK needs to restore full fertiliser production, hit by high gas prices. It needs to work with supermarkets to ensure sensible prices are offered farmers to grow the grains, rear the animals and produce the milk and eggs people will want, seeing that farmers costs for these items have risen rapidly in recent weeks.

Farmers need grants to help buy the more automated systems to plant and harvest a wide range of crops, and to assist in putting in the extra greenhouse and polytunnel capacity needed to extend our growing season. It is bizarre that we import so many flowers, salad stuffs and vegetables from countries like the Netherlands that have no better weather than us but have better systems of investment encouragement and support.

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## [Find energy grants and ways to save energy in your home](#)

The below information on how to make your home more energy efficient has been made available on Gov.uk which I have enclosed below:

Find out how to make your home more energy efficient and reduce your bills.

The Simple Energy Advice website has [advice on ways to save energy](#), such as:

- insulating your loft and cavity walls
- draught-proofing windows and doors
- upgrading your boiler
- installing double glazing
- using alternative sources of energy, such as solar power

You can also find out if you're eligible for a [home energy grant](#) to help pay for things like loft and cavity wall insulation.

Use the [Energy Efficiency Calculator](#) for personalised advice on what you can do to cut your energy bills.