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**What is it about cutting tax rates that drives the Treasury mad? Jeremy Hunt says rightly that he wants inflation down, yet his department blocks cuts in VAT, fuel duties and other direct tax charges on activity that would do just that.**

They opted for subsidies to help us with energy costs instead of taking VAT off domestic energy, or reducing the extortionate carbon taxes on business energy. They chose any way they could find to keep inflation and public spending high. They are itching to put fuel duty up again to make pump prices higher.

And why do they think putting up tax rates is the way to cut state borrowing? In the latest November budget they put up tax rates and nevertheless announced a massive 75 per cent increase in public borrowing this year.

In part, the borrowing went up because the higher tax rates slow the economy. They lead to less revenue as rich people and companies divert to lower tax places, and those who are stuck here rein in spending and investment. Overall, total revenues are always damaged by these recession inducing policies.

These officials don't understand growth, either. In 2021-22 the government forecasts of state borrowing were more than £100 billion too high because they underestimated growth. This year they were £75 billion too low because they overestimated it. Official models have for years misjudged how crucial growth is to borrowing levels. Every extra pound of income and turnover is highly taxed, so revenue rises strongly with growth and falls away just as rapidly with recession.

This is why we need a growth strategy now to get inflation and the deficit down. High tax rates, with interest rates too high from an erratic Bank of England, will mean more borrowing. Selective tax cuts which cut energy costs, promote business investment and encourage more self employment will directly lower prices and bring more supply.

Going for tax cuts rather than clumsy subsidies will also help control spending better. The energy-money-go-round with price controls, consumer subsidies, windfall taxes and higher corporation taxes is bound to fail. It means less tax revenue as we will be forced to import more foreign energy whilst stopping investment in our own home produced supplies. It is self-defeating, a stand on your head and fall over economics.

The authorities also got their inflation forecasts hopelessly wrong because they clearly do not understand what causes it. They blame Ukraine, refusing to see that China, Japan and Switzerland also import a lot of foreign energy but did not get the high inflation, because they controlled money and credit.

Now government is in denial about how inflation will fall because the Bank has lurched from too easy money to tight money, thinking they need to do more with sky high taxes as well. Inflation will fall, but they want to kill off growth too.

The Treasury and Bank advice which wrecked our economy with membership of the Exchange Rate Mechanism in the 1980s, with boom bust, did it again with the banking crash of 2008 and wants to do it again after their great bond-buying inflation.

Ministers should say "No!" and go for growth. We cannot afford their high taxes and recession. We need affordable tax cuts, alongside the rolling back of subsidies to avoid the danger of higher unemployment.

However, it is clear that ministers are frightened about spooking the government debt market, after the Bank showed it could get bond prices rising when it wanted. The Bank could help the country it serves more by working out why it got inflation so wrong and getting it right this time.

It need not go on selling so many bonds at a loss and sending the bill to the taxpayer. Its current policy of doing so seems to be another way to make the Treasury do the wrong thing and intensify the recession. The European Central Bank which made the same mistake of buying too many bonds at high prices to trigger inflation is not selling bonds to make big losses.

**I want to believe the Chancellor is earnest in his ambition to reduce taxes and inflation. But to do both effectively, he must reject groupthink.**