

Tax rises would slow the recovery and increase the deficit

The Treasury should be told that tax rises now would be bad economics and worse politics.

The deficit has soared because government anti virus policies created a huge and fast downturn. In a recession public spending soars and tax revenues fall. Cutting the deficit needs a fast and strong recovery, so Public spending falls and tax revenues rise. In this downturn public spending was massively boosted by taking 9 million people onto the state's wage bill whilst their jobs were prevented by lock down. We need to get them back into private sector jobs to remove the cost to the government and to get more tax revenue in from their better pay and overtime.

Far from needing tax rises we need rate cuts and tax holidays to promote more activity and jobs. The temporary cut in Stamp Duty is leading to many more housing transactions which will protect or create more jobs and increase tax revenues on the Activity in the housing market.

The Treasury has always been reluctant to accept that often the way to get more tax revenue is to cut rates to stimulate activity. That is what is needed now.