

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.