The coming income crunch

It is strange watching a government advance towards a predictable crisis without it taking any of the obvious actions to avert the worst and tackle the underlying problems.

Yesterday a think tank put a figure on the hit to average incomes from tax rises and energy bills next spring. They said it would be £1200 per household. The government did not deny or correct the figure. They said they were spending £4bn on helping people with the cost of living.

Both these disputants might be right. The problem with the government's response is it does not tell the person on average earnings facing the £1200 hit how much of the £4bn they will receive, nor whether this will be additional money or money they are already collectively receiving. It is not an effective counter to any individual complaint to say that the government is spending extra billions on the problem. People want the problem resolved and want to to know how it affects them. Taxpayers do not welcome the knowledge that spending has gone up a lot if there is no evidence that the spending is doing good and stopping the problems.

I have been urging the government to take this cost of living crisis more seriously. Much of it can be tackled by government actions. The Treasury needs to cancel its tax rises which will be damaging. Ironically if they help slow the economy too much they might even end up raising less money for the Treasury than not putting the rates up. The sooner they confess their error the better.

The Business department should heed advice on the need to expand domestic gas and electricity supply urgently. It needs to cancel plans to close the remaining coal power stations until we have reliable replacements. It needs to give permission for Jackdaw, Cambo and other oil and gas deposits in the UK . It needs to speed up the small nuclear reactor proposals and consider commissioning new gas capacity for this decade and next. More subsidies and shuffling around who pays the bills for dear imported energy does not solve the problem.