

Time to reset economic policy

Inflation has fallen a long way and the economy has stalled. That is what you should expect given the intense monetary squeeze administered by the Bank, and the efforts at fiscal tightening by the Treasury.

There hasn't been a worse collapse in output and jobs because the tax rises and fiscal tightening started from a loose heavy borrowing position. Many better paid people have extra savings from covid period earnings when their spending was cut by lockdowns. Savers have some increased interest returns. The public sector has continued to expand job numbers and offer substantial wage increases to settle strikes .

The US economy has also seen a big fall inflation from tight money policy. It has had high growth this year from savings overhangs and from a large fiscal boost, with an extra \$1trillion of state borrowing.

The UK needs to relax the monetary squeeze a bit. The Bank has had a very bad run of wrong forecasts and damaging policies, lurching from too easy to too tough. It should stop the sales of bonds in the market at big losses, which add to the shortage of money . The Chancellor is in joint control of this policy and pays for all the losses, so he should sort it out with the Governor now.

The Chancellor should use the coming big fall in debt interest costs given the way they calculate and report them from falling inflation. This reduces the costs of indexed bonds considerably. He should announce a growth strategy with cuts to IR35, increases in the VAT business threshold and reductions in energy taxes at its heart. Cutting energy taxes would also cut inflation more, reducing spending pressures further. Lower energy taxes could save more of our industry and reduce imports.

He should impose an immediate freeze on external recruitment by the civil service and other public administration.