

## Why make the downturn worse?

I accept the apparent Bank of England view that longer dated interest rates around 4% are quite high enough. I urge them to stop selling bonds at big losses, as this implies they want these longer rates higher and bond prices even lower, which is wrong.

I think Base rate should be higher. The Bank says it will go higher over the next meetings but leaves us guessing by how much. They should have hiked to 3.75% or 4% if they think that necessary and said they would then let the new higher rates bring inflation down, as they will do. Why wait? Why did they make the mistake of keeping rates far too low for too long?

Which brings us to the Treasury. Given such a major tightening of money and credit it would be wrong to raise taxes and cut spending on top. The Kwarteng tax and spend package did go too far, especially the energy support which was costed at more than twice the tax cuts. This new government is right to review the energy package after April to make it cheaper. I think they should limit the subsidised energy by volume so a typical family gets it all at lower prices but those with heated swimming pools, fancy garden lighting and very large houses pay full price on the extra energy they use. They also need to reduce poor value and inessential spending. I have set out billions of savings in previous blogs.

They should not impose new taxes, but promote faster growth and more enterprise. They could postpone social care reform which was designed to boost inheritances. They need to recruit and deploy more nurses, doctors, and care workers.

The budget should launch an affordable growth plan, striving to abate or offset the recession the Bank is now forecasting. Austerity 2 is the last thing we need as the Bank brakes the economy sharply to try to correct its big inflationary mistake.