

Boost the economy

I have been warning for two years that the combination of fiscal squeeze and tight money policy would slow our economy. So it has proved. Indeed if anything I am surprised that our economy has not slowed more. The global background is an additional reason for the weakness, with Germany slowing more than us and the USA less.

The USA has shown that the combination of rate cuts, liquidity provision by the Fed, and big tax cuts are delivering better growth than we and the other Main European economies are showing. That is why I welcome the new government's decision here to increase spending on schools, the NHS and police. I also think we need some tax cuts soon, so individuals and families have more money to spend on their own priorities.

Those who write in to say I am too lax about the debts misunderstand the position. Faster growth will boost tax receipts and some of the tax rate cuts will bring in more revenue. After allowing for the state debt the Bank of England owns on behalf of taxpayers our debt to GDP ratio is fine. The QE debts we owe to ourselves so there is no net interest cost.

The latest GDP figures show we avoided recession last quarter and are growing at around 1% a year. We should aim to double that growth rate, which a sensible fiscal and monetary easing with the right tax cuts could do.