

Our aim should be helping people out of poverty and into better paid jobs

One of the main arguments between socialists and conservatives is over the main aim of economic policy. Conservatives want to raise living standards, to help people be better off. Socialists usually want to lower or remove inequality.

These two varying aims require different policy responses and achieve different results. Of course all sensible socialists would also want higher living standards, and all democratic conservatives agree the tax and benefit system should remove some of the inequalities market economies generate. Nonetheless deciding based around a primary aim of betterment for the many or a primary aim of cutting inequality produces different results.

Mr Osborne adopted more of the socialist preoccupation in his budgets, worrying about measures of inequality more than about sluggish rises in average real incomes. He worked out how to administer a bigger tax hit to the wealthy and how to get rich people out of the country or to stay out of the country. One of the easiest ways to cut inequality is to offshore the richest people by having a hostile tax regime towards them. This may then reduce investment and job creation for everyone else as these people live and invest in a more friendly climate elsewhere. Both France and Italy are now wooing the rich with a better tax deal for that reason.

A test of which motivation predominates in a policy maker is that of the Laffer curve. If a Chancellor insists on imposing a tax at a rate that reduces the tax take, we can assume he does so to create more equality at the cost of less income and lower living standards. The decision of Mr Hammond and Mr Osborne to levy Stamp duties that cut the revenue must be based on this, and their persistence with a 45% higher rate of income tax which also lowers revenue.

I want a policy based on a more rapid reduction in low incomes and no incomes. That requires a policy which allows entrepreneurs, footballers and great entertainers to keep more of their earnings so they stay here and pay tax here. They then also buy more things here, invest more here and employ more people here. Jealousy is a nasty emotion, and not a good policy. It makes us all worse off, with less money to spend on public services. As you achieve more growth you can then also lower tax rates on the rest of us, where lowering the rate cuts the revenue for any given level of economic output.