

The Spring statement

Today the Chancellor should confirm what the published figures have been telling us for some time. The deficit is lower than planned as his fiscal squeeze has been tougher. The government has collected more tax than planned, despite shortfalls on Stamp Duty and VED where they put rates up too much. Lower corporation tax rates and higher income tax allowances have helped or not impeded increased revenue from both sources. As a result of a combined monetary and fiscal squeeze the economy has slowed more than is desirable, at the same time as the Euro area economy has been hit by recession and slowdown.

What should he do about this? First, he should express concern that a slowdown is happening and signal he intends to do something about it. The Fed in the US has backed off from a monetary tightening that was damaging the US outlook, the Chinese authorities have announced tax cuts and monetary relaxation to deal with their slowdown and the European Central Bank has announced more cheap loan facilities for commercial banks in their territory. Where is the UK response?

Second, he should cut tax rates for Stamp Duty and VED where high rates have cut revenues. CGT is another one where a high rate is deterring property sales. These cuts would boost revenue more. He should remove VAT from green products and from domestic fuel to celebrate our exit from the EU and relieve fuel poverty. He should cut income tax further, and make a substantial reduction in business rates. He can afford to reduce his total tax demand, as well as cutting rates that will raise more money.

Third, he should increase spending where a good case can be made for better public service as a result. Social care, schools and the police are three priority areas where asking for bids for more money to improve services would be a good idea.

The Chancellor lets the story run in the press that he will spend more if we vote for the Withdrawal Agreement. Now he has to make up his mind what to do knowing the result of the vote. He could afford to spend even more and tax less if we just leave without the Agreement, as we will save all that money that otherwise goes to the EU.