

UK Mini Budget 2022

I was trawling around London soliciting views mostly from the main beneficiaries of the Chancellor's tax cuts announced 23 September. How? Why? What?

The problem with the budget is not that it doesn't make sense, we can make anything sensible given enough experts' opinions. The problem was marketing, communications, governance, those sorts of inconveniences.

A first time budget by a first time PM and Chancellor requires some handholding, explanation and marketing. Yet it took them almost a week to explain themselves leaving the public thinking that either they couldn't (a question of competence), or they wouldn't (a question of arrogance.) In the meantime, the silence came to be interpreted as cowardice as everyone from those in the 19% tax bracket (formerly 20%), to, surprisingly, those in the 40% bracket (formerly 45%).

The consensus seems to be that the budget had the 2024 elections in mind, by which time, temporary fiscal irresponsibility would have incited economic growth, and a second (this time popularly elected) term, or it would be a problem for a new Labour government to clean up. So far so clever except that things didn't go to plan. The pound now carries less weight and is worth fewer dollars and borrowing costs a bit more than last week.

A government less wedded to factual accuracy might have sold the budget thus. I'm not advocating this, just saying it could have been a Monty Pythonesque pitch, which these days cannot be ruled out.

Basic rate payers, you get a 1% discount on income tax. It's too small to be inflationary and it puts some change in your pocket. You're welcome. Top rate payers get a 5% cut, which won't be too inflationary since they'll save it anyway and use

it to fund the 1% basic rate cut. Hopefully this will take pressure off the Bank of England having to buy long dated gilts while raising short term interest rates. That the maths probably do not add up is incidental when you're selling dreams but then so much of life is just that.