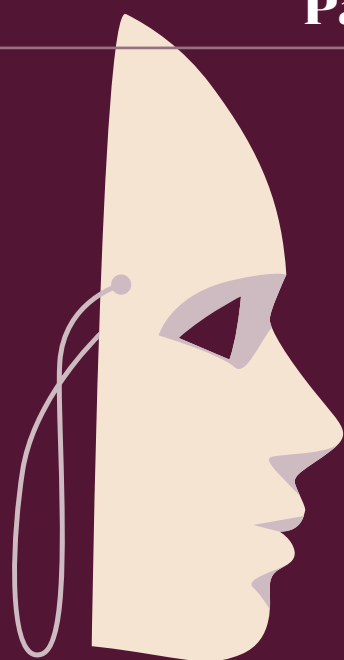


Parting Shot / Arun Advani



This summer we were, once again, witness to an oddity of UK democracy. A small group comprising less than 0.3% of UK adults prepared to choose the next Prime Minister on behalf of the entire country. The battleground was a squarely economic one, with the final two contenders for the job putting forward competing visions for tax.



In one corner was the Foreign Secretary, Liz Truss. Despite modelling herself on Thatcher, her fiscal outlook is much closer to US President Ronald Reagan: taxes should be cut, and when inevitably there is a deficit, that is someone else's problem.

In the other corner we had the former Chancellor, Rishi Sunak. He initially argued against Truss' approach, warning against believing in 'fairytales' and 'something-for-nothing' economics. Instead, he supported the more orthodox view that the books have to be balanced.

For one brief moment, the country was treated to a genuine debate of economic visions. But it wasn't to last. In a country where students get no compulsory economics education at school, it is perhaps unsurprising that people struggle to evaluate the choices presented here.

And in a cost-of-living crisis, the promise of fiscal rectitude today so we can afford Nice Things tomorrow is not in tune with the experiences of voters.

So, whatever its merits, Sunak's appeal to resist the siren call of unfunded giveaways crumbled in

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the face of Truss's promise to deliver immediate tax cuts. As polls showed Truss' popularity rising among party members, Sunak announced a major income tax cut, were he to win the next election.

While he remained worried that larger cuts in the short term would stoke inflation, one Truss ally noted that in the current crisis people need 'tax cuts in seven weeks, not seven years'.

What both sides managed to miss, of course, is that you can support struggling households now *without* fanning the flames of inflation.

If the problem of the day is that some households are choosing whether to heat their homes or eat three meals, while others are doing fine despite the turmoil, then the obvious answer is to not to cut taxes, but to change where taxes fall.

In the context of energy this can be done by having the price per unit rise with consumption, rather than fall as it does now.

Additional cash support to low-income households can also be paid for by **more fairly taxing wealth** from inheritance and **capital gains** and from the **UK's non-doms**.

Cutting National Insurance, which isn't paid by landlords and investors, and raising Income Tax, would **rebalance the tax system in favour of workers**.

The sad thing about the economic debate among the Tory hopefuls wasn't just that it was so fleeting. It also presented voters with the false choice of jam today or jam tomorrow. But there is another choice – jam more evenly spread. ◀

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