

In this open letter, we seek to spotlight historical evidence of successful economic and fiscal policies drawn from UK data.

The Chancellor and his colleagues at HM Treasury face two major and very difficult-to-resolve issues: highly-stressed public finances, and a lack of labour productivity growth (leading to stagnant real wages and living standards). There are other pressing economic issues, but these stand out as secular, rather than exclusively Covid-19 related.

Conditions for growth are not a mystery: we have seen them in the UK in the recent past. In the last 40 years, the highest period of growth of government revenue was 1993-2003. This coincided with a period of strong GDP per capita and productivity growth.

The conditions that pertained at the time make a convincing case for the policies needed to stimulate and sustain our economic recovery.

- A top rate of income tax of 40%;
- Corporation tax ranging from 33% to 19%, falling throughout the period;
- Highest rate of Stamp Duty on residential property rising from 1% to 4%;
- VAT rate of 17.5%;
- Capital Gains Tax rate at the same as income tax rate, but Taper Relief (from 1998-99) reducing the rate on shares by up to 75% (i.e. giving a top rate of 10%);
- A light regulatory burden on all productive sectors: less financial regulation, less labour market regulation, far fewer planning and construction regulations, more targeted health and safety regulation, less energy sector regulation.

Governments have choices. This government may not choose to adopt some or any of these successful policies. At the very least, this evidence should weigh heavily on any decision-making.

The Institute of Economic Affairs is an educational charity. This open letter accompanies a new briefing paper, "The Chancellor's Post-Pandemic Choices," which can be downloaded from the IEA website.

List of signatories

Neil Record, Chairman, Institute of Economic Affairs

Mark Littlewood, Director General, IEA

Andrew Allison, Head of Campaigns, The Freedom Association

Steve Baker, Member of Parliament for Wycombe

Professor Christian Bjørnskov

Douglas Carswell, Former Member of Parliament

Professor Tim Congdon

Alison Cork, Founder, Alison At Home

Professor Kevin Dowd

Martin Durkin, Chief Executive, Wag TV

Professor Anthony Evans

Suzanne Evans, Director, Political Insight

Chris Gibson-Smith CBE, Former Chairman, London Stock Exchange Group

Lord Hamilton of Epsom

Andrew Lewer, Member of Parliament for Northampton South

Lord Lilley

Institute of Economic Affairs

2 Lord North Street, Westminster, London. SW1P 3LB

t. 020 7799 8900 e. iea@iea.org.uk w. www.iea.org.uk

Registered No. 755502 Charity No. CC/235 351

Dan Hannan, Former MEP
Laurence Hollingworth, former Vice Chairman, JP Morgan
Jonathan Isaby, Director, Politeia
Julian Jessop, Independent Economist
Matt Kilcoyne, Deputy Director, Adam Smith Institute
Dr Ruth Lea CBE
Graeme Leach, Chief Executive, Macronomics
Tim Martin, Founder, Wetherspoons
Professor Catherine McBride
Professor Patrick Minford
Terence Mordaunt, Co-owner, Bristol Port Company
John O'Connell, Chief Executive, TPA
Alexandra Phillips, Former MEP
Matt Ridley, House of Lords
Professor Stan Siebert
Greg Smith, Member of Parliament for Buckingham
Carlo Stagnaro
Professor James Tooley
Dr Radomir Tylecote, IEA Fellow