

Tory leader hopefuls must be clear on tax cut funding

Letter to [The Financial Times](#)

The FT correctly points out (Report, July 13) that the UK economy needs more than tax cuts, not least because most Tory leadership candidates are vague on how tax cuts will be funded. Are these tax cuts effective towards boosting UK investments and growth? Consider, for instance, the popular pledge to cut the corporation tax rate. At 19 per cent, our corporation tax rate is lower by as many as 4 percentage points than the average rate in the OECD economies. What matters a lot for business investments is the quality of governance. According to the World Bank, the UK has dropped, among 214 countries, from the top 2 per cent in 2010 to the top 8 per cent, 10 years later, in terms of the ease of starting a business and bureaucratic efficiency.

Tory leadership hopefuls need to talk about these issues rather than promising lower corporate taxes which might not stimulate the economy as much as they think.

Professor Costas Milas

Management School,

University of Liverpool, Liverpool