

Inflation and growth

I was talking to government advisers yesterday about how to deliver both falling inflation and better growth.

I pointed out that the Bank with its wrong forecasts of inflation and the OBR with its wrong forecasts of the debt and deficit are conspiring to create a recession through excessive monetary tightening and austerity. They now want to kill the inflation their excessive money creation, spending and borrowing over and post pandemic has generated. They want to put us through another officially inspired boom bust cycle.

I recommended a different approach. Ministers should require the Bank and OBR to urgently revise their models and back test the new ones to show they can now get closer to predicting what has happened using actual back data. They should assist the government in producing a supply side growth package of targeted tax cuts balanced by spending control, import substitution and abandonment of unhelpful regulations like the ban on new petrol and diesel cars from 2030 and the extra tax on sales petrol and diesels from next year if EVs are not 22% of the manufacturers total sales.

The Bank should stop sales of bonds at big losses all the time it does not have a reliable forecasting model. The Bank's Chief Economist acknowledges the Bank could be overdoing the tightening but without better forecasts cannot tell. A Bank which says its best forecast of unemployment is it might halve or double over the next three years needs to speed its work on forecasting before blundering into more policy changes.