

# Labour's inflationary wage awards are unaffordable

The new government solemnly promised that it would not make any important budget or fiscal announcement without a OBR report and forecast showing how it would be paid for. It condemned the Truss unfunded tax cuts though not her much larger unfunded spending rises made without a forecast. The tax Truss cuts were of course immediately cancelled and the Bank of England continued its erratic monetary squeeze disrupting bond markets.

We are living through announcements of large increases in public spending to pay a series of inflationary wage awards. There is no OBR forecast, no statement of how these will be paid for. The rail settlement brought a hopeless Transport Secretary onto the media to tell us she had no idea whether fares will be hiked or taxpayer subsidies increased to meet the bills. The government dropped the idea of offsetting some of the costs with productivity improvements from smarter and more flexible working.

Meanwhile we can always rely on the Bank of England to make things worse. They cut interest rates just as the government switched to an inflationary pay policy and just before the inflation index started to rise again. There has been no warning from the Bank about the dangers of large wage rises unmatched by improved productivity. I thought they were independent with the sole task of keeping inflation down. When might they do that?