

[Lib Dems in Wokingham deliver worse services with higher charges](#)

I reproduce below the comments from the Conservative Group on the Council. They are right to highlight deteriorating services alongside waste of money and high charges.

Wokingham Borough Council's Conservative Group has hit out at proposals from the Liberal Democrat administration to scrap some public bins and reduce collection on others.

Describing the decision as "out of step with residents' priorities", the Conservatives criticised the Liberal Democrats' plans to cut back on public bins that are already overflowing.

The announcement by the Liberal Democrats to cut funding for a public service comes months after it pumped money into a series of pet projects and funding for expensive interim council staff.

Conservative councillors are calling on the administration to halt its plans at least until further information is provided to residents of where bins and collections will be reduced.

The Conservatives are also demanding publication of the evidence that these bins are "least used".

The Liberal Democrats' plans were announced alongside a series of reductions in other Council services, including grass cutting, street sweeping and weed spraying.

Cllr Norman Jorgensen, Shadow Executive Member for Finance, said:

"I'm sure most councillors find themselves being contacted by residents concerned that public bins are overflowing and need emptying.

"The Liberal Democrat administration's proposals to do away with some public bins and reduce collection will make the situation worse.

"It would be nice to believe that every person walking along a path, unable to find a bin, will take their rubbish home with them, but this simply doesn't bear up to reality.

"Once again, we see a total lack of transparency from this Lib Dem administration.

"Where are the lists of which bins are going to be removed or emptied less; where are the figures to justify these savings?"

Cllr Pauline Jorgensen, Leader of the Conservative Group, added:

"Cllr Imogen Shepherd Du Bey boasted that the Liberal Democrat led Council had made a budget surplus last year. Now they are cutting a universal service vital to keep our Borough clean.

"They approved a budget in February that decided to allocate taxpayers' money to pet projects and expensive back-office staff, rather than services for residents.

"They could have allocated additional funding to keep these bins, but they chose not to.

"It is a real demonstration of the Lib Dems' warped priorities. Like many of their decisions this will be a false economy. How much will it cost to tackle the vermin that will increase as a result of this poorly thought-out policy?"

ENDS

Sent from my iPhone

[The Treasury and Bank get it wrong again Conservative Home article](#)

In the closing years of the Thatcher/Major Conservative governments Ministers accepted dreadful advice from the Bank of England and Treasury. They based UK economic policy on the European Exchange Rate Mechanism. I wrote a pamphlet, made speeches, lobbied Ministers not to do this pointing out it would lead to high inflation or recession. One Cabinet Minister agreed with me and a few economists and commentators. Labour, the CBI and TUC agreed with the officials. They had their way, caused a big inflation, then gave us a savage recession to correct the first error. Conservatives plunged to around 30% in the polls when the damage of the policy became clear and stayed there until the election which resulted in the loss of 178 seats.

The present government is too trusting of current Bank/Treasury advice. It has given them high inflation. The Bank has blamed the Ukraine war impact on energy and food prices yet Switzerland, China and Japan avoided such a result despite sharing the same world inflation pressures. The UK inflation rate was already 275% over target before the war. Now the Bank threatens to make the opposite mistake and cause a recession. It ignored the advice I and some others offered not to print so much money in 2021 and buy so many bonds at crazily high prices. It now wants to undermine the bond market further with large sales of bonds at ever lower prices.

It is vital that before Parliament breaks up for a long summer recess the Chancellor changes economic policy and the Bank of England produces the results of its review of its economic model and forecasts. The country needs and deserves a better policy. There are ways to bring inflation down faster and grow the economy more. We need to lift more people out of real income hits and low spending power through better paid jobs. The Conservative party also needs to be more competitive, to avoid a Labour government which would make the economy worse and would double down on policy tendencies that are creating inflation and slow growth. The danger is that people, disappointed with the last couple of years of economic performance, vote to impose a worse approach on themselves in frustration.

The Bank of England has wisely and bravely admitted that it has been getting inflation forecasts horribly wrong. It admits its current model of the economy does not work and has said it now ignores most of what its model says. This is dangerous. The whole purpose of the Monetary Policy Committee is to forecast inflation, then to adjust policy to keep it around 2% in the light of the forecast. Two and three years ago the Bank was confidently forecasting inflation would stay around 2%. It soared to over 11%, way outside acceptable margins of error in what is a difficult task. The MPC cannot have a clear take on what to do all the time it cannot define the extent of the inflationary problem ahead. The Treasury and the Treasury Committee of Parliament should urge the Bank to make early changes to their model. They need to back test the new model and change it sufficiently so it can forecast what has happened. Then we might have a model that the Bank can rely on more when charting the future. I doubt they can get a model to work without including a bigger role for money and credit, which they currently ignore in their MPC publications. We have a Money Policy Committee that does not do money.

The Bank should study the Peoples Bank of China's critique of the Federal Reserve Board of the USA which made similar mistakes to the Bank of England for similar reasons. China currently has inflation at 0.2% and did not experience an inflation overrun from world oil and food prices surging over the Ukraine war. China criticises the over expansion of the Fed's balance sheet. There is now a danger that the Fed and the Bank of England over contract their balance sheet as they try to correct past mistakes. In doing so the Fed helped bring down some regional banks. The Bank of England helped bring down the highly leveraged Liability Driven Investment bond funds, including the large holding in its own pension fund. Both Central Banks stopped the damage spreading by creating more money to

offset the big sales of bonds they were undertaking to drive up interest rates.

If the Bank sells fewer bonds the Treasury will be spared some huge losses. They should stop shrinking their balance sheet so much before something other than LDI funds breaks.

The Treasury has set itself against any tax cuts on the grounds they would increase the deficit and therefore inflation. Meanwhile the Treasury approves many new increases in spending both for new programmes and to compensate for inflation of costs and poor productivity in many parts of the public sector. Inflationary increases in public spending are clearly generally inflationary. The CPI is now powered upwards by service sector inflation. The Treasury needs to be encouraging higher pay for higher output, with something for something public sector pay deals. It needs to put a stop on more recruiting other than front line and uniformed staff into the public sector, promoting and streamlining from within. NHS England has recruited an extra 3500 managers this Parliament to supervise a big fall in productivity. This has to be reversed.

There are tax cuts that do not lead to tax revenue losses, as Ireland shows us. Their Corporation tax rate half the UK's produces four times as much revenue per head as the UK rate. We need a supply side revolution, with business expansion and more investment in extra capacity. Lift IR 35 from the self employed. Raise the VAT threshold for small business. These measures will boost output. Suspend VAT on fuel and see inflation fall. Take carbon taxes off high energy using firms to avoid closures and relieve cost pressures.

A new economic policy needs to rely on selective tax cuts and supply side measures to bring inflation down, and on driving a productivity catch up or recovery in public services to help bring state borrowing down. The Bank hitting mortgage holders ever harder to reduce their spending will not cure inflation, With government pressing for savers to get more interest their demand can rise as their children's demand falls as a result of the mortgage squeeze.

[The Office of Budget Responsibility](#)

The Office of Budget responsibility is a recent invention. George Osborne wanted a body that was said to be independent that could assess government economic policy and set out in forecasts what the results were likely to be.

To do this he transferred the Treasury model for forecasting the economy and some Treasury officials to this new body. It was given the privilege no other forecaster has of getting prior access to budget measures so when the budget is published the OBR can publish a set of forecasts that include the impact of the latest budget measures. Other independent forecasters can then catch up, putting the new budget measures into their models and running them to see what change results. The OBR forecasts and the average of private sector forecasts are often quite close to each other, with the old Treasury model still having some sway with a range of external economists. Treasury officials clearly work closely with OBR ones, as they used to do when they were all part of the same organisation.

The main problem with this system is the failure of the POBR to come up with reliable and accurate forecasts of the budget deficit. This matters hugely because their wrong forecasts unlike other people's are used to mark the government's homework. The main economic policy control is a derivative of the old Maastricht debt and deficit controls. The government aims to have debt falling as a proportion of GDP by the end of the five year forecast period if not before. This relies on the OBR forecasts of the difference between two large numbers, total spending and total revenue, five years hence.

In recent years the OBR has been £100bn or more out in its same year forecasts, let alone in its five year forecasts. The OBR presumes to say the government needs to raise an extra £10 to say £30bn in taxes, when its deficit forecasts swing by far more than these sums year by year. Observing the pattern they tend to greatly exaggerate the deficit when the economy is growing and underestimate it when the economy is slowing or shrinking. The main errors occur on the revenue side. Their model does not seem to take much account of the behavioural effects of higher tax rates which may depress tax take, or the way in which lower tax rates may boost tax take. It certainly does not seem to recognise the great sensitivity of revenues to growth rates.

The independent OBR should follow what the Bank has decided. faced with its own failure to forecast inflation, crucial to its task, the Bank has announced a review of its models. The OBR needs to do the same, as it models cannot forecast deficits sensibly, leaving no sound basis for their advice on tax levels.

[Interest rates now higher than at the time of Truss budget](#)

The Bank of England has been up to its old tricks, hiking rates and selling bonds to hike mortgage rates some more. They think taking money away from mortgage holders will squeeze their ability to spend which will cut inflation

by reducing demand.

Will it? The extra money mortgage holders pay in interest certainly cannot be spent any longer by them on goods and services. The money however does not disappear. Much of it is passed onto savers who have deposits in the banks that lend the money. They will have more income to spend. Some of the extra interest is extra bank profit, which leads to higher dividends so shareholders will have more money to spend.

Higher mortgage rates therefore will not limit demand for goods and services as much as the Bank seems to think. It is possible the savers will not spend all their extra interest income, whilst it is likely the mortgage holders would have spent more of the money they now have to pass to the lenders. This is however a matter of degree. It is also likely the savers who tend to be older may well pass some of their deposit interest gain onto their children with mortgages to help them out.

The further sell off in bonds underwrites my argument that the high mortgage rates come mainly from Bank of England rate hikes and bond sales.

[What is the point of a Central Bank digital currency?](#)

We already have digital money. You and I have money held in a commercial bank which is just an electronic line in their accounts. We can use it to buy something, transferring our digital money to someone else's digital account electronically. We have a digital credit card which we can wave at a machine to pay. If we save money in a deposit account that too is digital. The banks do not keep all our monies in bank notes, just having enough till money to meet usual demands for physical cash with a margin.

Some people have created different digital tokens like Bitcoin. These do not fulfil the normal characteristics of money. You cannot use them to buy things. Most shops and websites decline bitcoin. They are not a store of value as a sound major state currency is, with wildly fluctuating values. They are not a standard of measurement. Few quote prices in bitcoin where many quote them in dollars or pounds.

There are things called stable coins which seek to link their value to a well known currency. Some achieve this, but there could in some cases be failures to do so. If they succeed what advantage do they have over holding the currency itself?

The Bank of England and other leading central banks are thinking of issuing digital versions of their own currencies. Given the way commercial banks already do this I assume it means the Central bank itself offering a current

account to regular customers. This would be a big diversion from their current functions and would not offer much that a commercial bank does not already offer.

People worry about the way the state could use a CB digital currency to increase surveillance over people and even control their money. I cannot see them making everyone have a CB account as the Bank of England would not want millions of small accounts. Existing digital money through commercial banks is already under plenty of surveillance to prevent crime and money laundering.