

The drivers twelve days of Christmas

On the twelfth day of Christmas my true love said to me

Twelve ferries cancelled

Eleven lanes a closed

Ten restriction signs

Nine diggers digging

Eight potholes threatening

Seven bollards blocking

Six cameras flashing

Five closed roads

Four different routes

Three speeding limits

Two red lights

and traffic jams on the motorway

Time to reset economic policy

Inflation has fallen a long way and the economy has stalled. That is what you should expect given the intense monetary squeeze administered by the Bank, and the efforts at fiscal tightening by the Treasury.

There hasn't been a worse collapse in output and jobs because the tax rises and fiscal tightening started from a loose heavy borrowing position. Many better paid people have extra savings from covid period earnings when their spending was cut by lockdowns. Savers have some increased interest returns. The public sector has continued to expand job numbers and offer substantial wage increases to settle strikes .

The US economy has also seen a big fall inflation from tight money policy. It has had high growth this year from savings overhangs and from a large fiscal boost, with an extra \$1trillion of state borrowing.

The UK needs to relax the monetary squeeze a bit. The Bank has had a very bad

run of wrong forecasts and damaging policies, lurching from too easy to too tough. It should stop the sales of bonds in the market at big losses, which add to the shortage of money. The Chancellor is in joint control of this policy and pays for all the losses, so he should sort it out with the Governor now.

The Chancellor should use the coming big fall in debt interest costs given the way they calculate and report them from falling inflation. This reduces the costs of indexed bonds considerably. He should announce a growth strategy with cuts to IR35, increases in the VAT business threshold and reductions in energy taxes at its heart. Cutting energy taxes would also cut inflation more, reducing spending pressures further. Lower energy taxes could save more of our industry and reduce imports.

He should impose an immediate freeze on external recruitment by the civil service and other public administration.

Happy Christmas

I wish you all a happy Christmas.

Feel free to comment on anything you like today. I will catch up tomorrow.

Christmas Eve

My poem for Christmas

Will Santa come for me?

May you all feel the excitement of Christmas.

WILL SANTA COME TONIGHT?

“Will Santa come? Will Santa come tonight?”

“He might. He might.

If you are good, he might.”

“Can I stay up and see?”

“No. He will not come for you or me

if we do not sleep . He's too busy to meet us all."

"And will he come for us?

If you go to sleep – he does not like fuss."

Tonight, by the lights of the tree,

there is, at last, some grown up time for me.

The cake is iced. The wine is spiced .The carrots diced.

The pudding's steamed. The brandy butter creamed.

The turkey prepared awaits. And yes, I did clean the plates.

The tree is up, the table laid,

the cards are out , though the credit card's unpaid!

So shall I soon with gifts a plenty

mount the stairs to deliver twenty?

Do I dare to tread the stair?

And will it creak?

And will it make a noise that upsets all those Santa ploys?

I need to know if they slumber before I arrive with my lumber.

If they are still awake what dreams will go?

Or do they know? And is their belief just all for show?

So tonight by the magic tree there is need of more time just for me.

I will wait – and struggle to keep open my eyes

And wrestle with the morality of eating Santa's mince pies.

My adult mind is full of Christmas chores

The cooking times, and the cards through neighbours' doors

Drinks with friends to come – but not that cheap red

Which would give me a headache as soon as I got to bed

I was once a child too excited to sleep with a torrent of thoughts about what
I might be given

Hoping that it was a toy beneath the wrapping

Should I peep? –Not more socks or hankies, preferably something to be driven
So could Santa still come for me? Drowsily I dream as if I were eight
Hoping that Santa would not be late

Like every little boy there is of course a much wanted toy

So will Santa come tonight? He might, He might.

If you sleep well and if you believe

Only if you believe. And only if in your family Love fills the hours you will
be spending.

It could be the true Santa on the stair

Or it could be someone from an empty chair.

So will Santa come? He will. He will.

[The OBR and Bank plan a Christmas tea party](#)

Treasury, Bank and OBR officials organise a Christmas event

Well , said the Chairman of the working group, we need a party to brighten
things up after so much talk of austerity. Are there any preliminary issues?

Yes, said the Treasury, we need to make sure it is within the spending rules
so we can claim the costs.

Careful, said another, can we call it something other than a party. We do not
want anyone outside saying we are having an unfunded party on the taxpayer,
do we?

That cannot happen, said another. We have been quite clear in all our
statements that the only thing that can be unfunded is a tax cut. We have
never allowed any of the spending rises to be categorised as unfunded.

We do need to be careful about parties after all the fuss over the lockdown ones, said a cautious official who did not fancy being dragged before some future enquiry if things went wrong.

So how did the pandemic gatherings work, said a recent joiner?

Well the Cabinet Office usually organised them and sent out the invites. They said they were work events. Treasury signed off on that basis. Then we got the Prime Minister to pop into the odd one telling him he just needed to encourage the officials for a few minutes so if anything went wrong he would be blamed. It worked very well.

So how can we make sure this one is OK?

We could theme it as review of the year and send round a few graphs and charts to make it look more serious. Hardly any of the politicians understand how we do the numbers, and when one starts to probe we change them to make them unintelligible you know.

What if anyone took that bit seriously? It's a bit of hostage to fortune. Have you seen how badly wrong the Bank was on inflation? It looks as if the Bank had the Mad Hatter's watch. Their model never seems to tell the inflation right.

Pity they didn't have a watch like his. His didn't pretend to tell the time. That was too difficult. It just told the date. More chance of getting that right. Silly idea to try to forecast inflation.

Still didn't work for the Mad Hatter though. It got the date wrong anyway. Butter got in the works

That's a bit rich said the Bank. We have always made sure our watch does not forecast money and credit in the way these mad monetarists want. Far too difficult. Though we call our committee the Monetary Policy Committee we just forecast inflation by looking at expectations. As we manage expectations by saying inflation will be 2% it should always come back to that. I thought the OBR had the Mad Hatter's watch to tell us the borrowing. How many times now have they overdone the gloom and told us it is going to be far bigger than it is?

Well, said the OBR, the whole idea is to make sure the dreadful politicians never get their tax cut. It's all in a good cause you know to have models that terrify them. We make the models say what we want them to say. They say there is No Headroom! No headroom! So when the politicians say there is headroom, or put in low spending figures to create headroom, the OBR always has some bad news in store so there is no headroom.

Oh do stop this. No-one wants to be talking about all this once the event has started. It's just cover for the invites which could otherwise be spotted as a frivolous party.

Shouldn't we just consider this issue of spending versus tax cuts? There is a lot of fuss about it and Ministers do not seem to be very happy.

The thing that works best is Headroom. We keep saying there is no headroom for tax cuts, and they keep repeating it. So just tell any politicians who wants a tax cut there is no Headroom. The OBR did a great job showing a huge fall in migration which they say means less revenue, and in saying all the increases in public spending were not real terms rises.

The best wheeze is getting the politicians to sign up to making our forecast of the deficit in five years time as the main control said the OBR. No-one can possibly know what it is, so we can make it anything we like. More to the point in five year's time everyone with any luck will have forgotten what we said so we are never wrong.

But aren't we meant to tell the truth?

Yes of course, but truth is in the eye of the beholder.

To us it is true that unfunded tax cuts are a bad idea. We are so much better at spending people's money than they are. Some of them have too much money and spend it just on pleasure. That is not right.

It is true that more public spending must be a good idea. After all, we receive the benefits ourselves of the extra spending, and we can say we are helping the poor and needy. We also need to have plenty of money to carry on paying the EU and all those hotels for migrants.

We can always say if we get asked that our forecasts would be better if we spent more on them and had more people to help. It's like time with the Mad Hatter. We can make it what we want it to be.

So how will we pay if there is not enough tax revenue?

Well the Bank found plenty of money down a money well a few years ago

That gave us £450 billion more to spend. It was great fun while it lasted.

Yes, but we cannot do that again now. The Bank says the money well has dried up.

But why doesn't the Bank help us out? They have a direct claim on the Treasury for anything they lose. Just automatic pay outs whenever they want. Maybe we should ask the Bank to include the event as part of their losses, and say it is part of the costs of the review into why they have got butter in the works of their inflation model.

Another bright official who was good at finding ways to do things said Why don't we lose it as debt interest? One of the ways we are scaring the politicians into avoiding too many tax cuts is to show them a huge debt interest figure. We doubled it by putting in all those non cash items and got away with it. So surely a small item of extra spending could be booked in there as dealing with the debt?

Careful said a senior. We have done so well with the debt interest adjustments, we don't want a small thing triggering any suspicion by one of the few anoraks out there who insists on looking at it.

The meeting rambled on with everyone saying what they meant some of the time or meaning what they said some of the time. Was this event capital or running costs? Was it a review or a work meeting? How did they get the drinks in without causing any worries?

They remembered that when the Bank was rumbled with too much inflation, they said it was merely transitory. That was such a good word, as some of the politicians did not know what it meant, and others wanted to repeat it because it sounded so grown up and technical.

They talked so long they missed out on story time. Some missed the nostalgia over finding the money well and getting away with £450 bn from it before things went wrong. They had loved the £350 bn increase in annual public spending in just four years. It was even better they did not have to do anything extra for all that money and could now work from home for much of the time.

So they concluded that they could hold an event on the taxpayer. They would argue it was not unfunded. it would be dressed up as a review of the year just gone, accompanied by complex graphs. It would be seen as a one off transitory spend that could come out of the contingency fund.

If any Minister queried it, which was extremely unlikely, they would say it was in lieu of recruiting the extra forecasting staff they really needed to get the butter out of the works of their models. Best if a Minister was invited to pop in to launch it. Such a pity, they concluded, that the money well was closed. One day, perhaps in a couple of years time, they would be able to reopen it and live happily ever after.