

The gross errors of the OBR are damaging

Taxpayers pay good money to have an “independent” civil service body to evaluate U.K. economic policy and supply forecasts of what that policy will deliver.

In March 2021 they did their usual budget forecast out to 2025. They said inflation would be below 2% until 2025 when it would just reach 2%. Inflation a year later hit 9%.

If you use the war in Ukraine as an excuse you still have to explain why inflation was at 5.5% in January pre war, 175% over target and more over forecast.

They forecast growth will never be lower than 1.6% a year out to 2025. March to June this year probably saw no growth and growth in Q3 will depend on the emergency cash injections recently announced as budget adjustments.

This shows the OBR/Treasury have models that do not work based on misunderstandings of the economy. This matters. They give wrong policy advice to the Chancellor. He should challenge it more and act on it less.

In OBR world cutting tax rates leads to a loss of revenue, yet if you cut the right taxes it stimulates more activity and brings rising receipts. In OBR world if you increase taxes the deficit falls. If you raise taxes too much in reality you slow the economy too much and the deficit rises. In OBR world if you are running below capacity there will be little inflation. In the real world if you expand money and credit massively you get inflation four and half times target even when below capacity as they judge it.

OBR/Treasury advice is in danger of delivering unacceptably high inflation and a recession to follow. They have a long record of boom/bust advice. Why do it again?

We could get similar and some better forecasts free from the private sector to help inform budget judgements.