

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.