The OBR and the budget

As readers of this website could see, I took many ideas to the government in the run up to the budget. Accepting the government was staying with the OBR controls in place and prepared to cut taxes if they could keep borrowings down, I set about showing them how there was more headroom within those constraints to cut taxes. In particular I identified three large areas of spending in their accounts that could be reduced. They were the missing productivity of the public services, the large losses on the Bank of England bonds, and the high costs of bringing in low paid migrants whilst supporting many already in the UK to be without jobs instead of helping some of them to take the jobs available..

The government liked the idea of tackling the lost productivity. It now seems from the budget figures that they also accepted my general delineation of the problem. I had drawn from ONS figures a lost 7.5% 2020-2023. The government now says there is a lost 6% to today. I estimated this as around £30 bn, in annual cash cost a low end figure from my calculations based on the published public spending figures. The Chancellor said tackling a 5% fall in productivity as he wishes to do would gain him £20bn. This was surprisingly right in line with my £30bn for 7.5%. I am pleased he is seeking to unlock £20bn of the losses and this contributed to the so called headroom to allow some tax reductions.

In contrast my public comments on the Bank of England bond losses, £34 bn to date this year, did not result in any action to rein them in. I recommended that the portion of the losses that result from selling bonds at depressed prices on the market should be ended, as there is no need to sell these bonds. The ECB that made the same mistake as the Bank of England in buying too many bonds at very high prices and sparking an inflation is not foolish enough to now sell them at lower prices for a loss. They can be held to maturity when they repay with a lower level of loss. I assume the Chancellor did not do this obvious thing based on a misunderstanding over Bank of England independence. The Bank is independent to set the base rate that controls other short dated interest rates. The bond portfolio required government sign off and guarantee and was always a joint policy. The Bank says it acts as agent of the government for the bonds.

The government was well apprised of the need to do more to help people out of long term unem0ployment into work, and developing good programmes to assist people in need of extra help to do so. I urged them to speed them up. They also came round to the idea of cutting back sharply on legal migration. I await official figures to show just how expensive to taxpayers it is to invite in low wage employees who usually need subsidised housing NHS care, school places if they have children and a full range of free public services. Invite in one such migrant and the facilities can be found. Invite in 1 million and you need to build several new cities for them. I continue to follow up to see what progress the government is making with cutting the numbers and relieving the pressures on homes and services. I have in the past set out my own rough estimate, based on the old EU one of 250,000 euros for set up capital costs and early years for one migrant.