

The rule of the OBR has given us misery

It is time to change the OBR driven control system. It is said to control the build up of debt and to keep the U.K. state solvent. Strange then that over their years of influence state debt has grown massively, huge sums of money have been printed, we have lived through a nasty inflation, and debt interest costs as they report them have leapt up. To make it worse U.K. growth has been almost as bad as the EU's, falling way behind the USA.

The central OBR control is absurd. Government has to set out tax and spending proposals to give a falling state debt relative to GDP five years out. So budgets revolve around an OBR forecast of a deficit in five years time. The figure is bound to be wrong as no one can forecast that figure reliably. OBR forecasts of nearer term deficits are regularly out by large margins. The five year target is a moving target, shifting out another year as each year passes, so the accuracy of the original target forecast is irrelevant. It does however lead to a permanent bias in official advice against any so called unfunded tax cut. There is no similar pressure against many unfunded spending increases. There is no pressure of any kind to get the Bank of England to lose less, and no effective power to cut the losses of nationalised rail or the Post Office.

We need a new system that controls current year and next year spending and borrowing better. The new government saying current spending and current revenue should balance is a start. Their wish to be allowed to borrow more to invest only makes sense if what they invest in goes on to make returns. Borrowing to do more HS2 or Horizon computer type projects is a very bad idea. Leaving utilities investment to the private sector is a better idea than effectively nationalising them and discovering the state cannot afford the investment and are no good at running them.