

Funding the Future

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Is the Office for Budget Responsibility really protecting the UK economy, or enforcing austerity? I argue that the OBR was designed to remove democratic control over fiscal policy, block investment, and prioritise City interests over public wellbeing. In that case, it's time to get rid of it and put economic democracy back at the heart of government.

<https://www.youtube.com/watch?v=lu6i9BB0XpU&si=H7f38pSSsv-TI9nK>

This is the audio version:

https://www.podbean.com/player-v2/?i=iafqy-19de1f5-pb&from=pb6admin&s hare=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Do we need an Office for Budget Responsibility? I ask the question for a very simple reason.

We ran the UK economy for centuries without an OBR or Office for Budget Responsibility. We survived World Wars; we created the NHS, the welfare state was delivered and all without an Office for Budget Responsibility.

So why did we suddenly need one in 2010 when George Osborne, an incoming Tory chancellor at that time, created it?

I want to ask whether the OBR is a guardian of fiscal responsibility, or is in fact a

weapon for enforcing austerity, because that, I think, is the function of the Office for Budget Responsibility today.

Let's just go back into history a little bit. In 1997, Gordon Brown made the Bank of England independent. He did so to try to indicate that he was economically competent by trusting an independent authority to run a whole part of government for him, separating monetary policy from democratic control as a consequence, and degrading our power over the economy and its control as a result.

Then, in 2010, when the Labour government that lasted from 1997 to that year fell from office, George Osborne went further. He created the Office for Budget Responsibility, a supposedly independent fiscal watchdog, and what actually happened? He removed fiscal responsibility from democratic control as well.

In other words, we ended up with a situation where he removed both monetary policy and fiscal policy, the only two real tools we have to control the economy, from the democratic control of any Chancellor of the Exchequer. No wonder we are in a mess.

The fact is that the Office for Budget Responsibility's real purpose is not neutral. It supposedly exists to check the government's forecasts, but that's not the truth. It actually exists to enforce the fiscal rules that have been put in place by successive chancellors: fiscal rules that say they must always balance their budgets, they must always borrow from the City of London, and they must, as a result, deliver whatever the City of London wants, which is always a smaller state, and therefore austerity, imposing harsh and penal economic management upon the people of this country - who need and deserve better - and who could, what is more, have better.

These rules that are enforced by the Office for Budget Responsibility presume that the government is like a household, but it isn't.

They presume that the funds available to government are limited to whatever the private sector will provide to it, but that's not true because all of government spending is paid for by the government using its power to direct the Bank of England to make payment on its behalf.

And these rules assume that government debt must always be reduced, which does, as a consequence, mean that we would always have a reducing money supply, which in a growing economy, would mean that we would end up with recession.

All of these assumptions are then completely untrue for a sovereign currency-issuing state. And the result?: permanent austerity, by design. That's what the Office for Budget Responsibility was created to deliver.

And in the process, what the Office for Budget Responsibility ignores are a whole range of issues. They focus only on money and never on outcomes. They don't care about

full employment or the NHS and its capacity to meet the needs of people. They aren't worried about housing and infrastructure. They don't care about the climate transition, or social well-being and inequality. All they care about is whether the books balance. It's the smallest-minded approach to management that anybody in the world could come up with, and that is what they ensure is the culture of government.

They make a whole range of mistakes as a result.

The Office for Budget Responsibility presumes that the UK government can run out of money when it can't because it creates the money in the first place.

They assume the government can only spend if it borrows or taxes first, and that's not true because the spending always comes first, because the Bank of England creates the money to make the payment.

They therefore presume that financial illiteracy exists because people won't notice that the basis of their work is quite literally financially illiterate within itself.

They don't recognise that the real constraint within the economy is not money, but is resources.

The real question they should be asking is not whether the books balance, but whether all the labour available in the economy is put to use to best effect, whether all the skills that we require are available, whether the materials that are available are used appropriately, and whether that is done within planetary limits.

The consequence is that the Office for Budget Responsibility sees only numbers and debt ratios.

So it blocks investment, ensuring that productivity remains weak.

It ensures that services collapse by enforcing, outsourcing and privatisation, and as a consequence, it guarantees that people suffer.

But then that is what austerity is all about, and they create a doom loop engineered as responsibility, which is in fact the exact opposite of that.

What would a real budget responsibility system do?

It would ask, are we investing in a future worth living in?

Are we fully using the skills of our people?

Are we caring properly for the sick, the elderly, the young, and everybody else in between who needs help and care?

Are we decarbonising fast enough to survive?

And are we reducing inequality and insecurity so that we improve the overall well-being of everybody in this country?

That is what real fiscal responsibility would look like.

Well, we haven't got it. But we did survive perfectly well without the Office for Budget Responsibility, and it was created to depoliticise economic decisions by pretending that they had to be taken to embed austerity and not the real responsibility I just talked about.

As a consequence, the Office for Budget Responsibility exists to ignore real-world needs and real-world limits, and instead to impose the will of anti-social neoliberal politicians who want to shrink the size of government.

My point is, we need democratic decision making again over how our resources are used, and that is not possible if we have an Office for Budget Responsibility set up in the way that this one is, which is designed to absolutely, and to its absolute core, take away that power to make democratic decisions by telling Chancellors they cannot do what is needed.

As a consequence, the conclusion is obvious. The Office for Budget Responsibility should go, and it should go now, and economic democracy should be put in its place.

That's what I think. What do you think? There's a poll down below. Let us know.

Poll

[poll id="268"]

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.

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