

The IMF would not win an election in the UK

The IMF was one of several international bodies and opinion formers who wanted the UK to stay in the EU. They misjudged that call, misunderstanding UK voters. Now they have issued an update report telling us that we have to take strong policy action to succeed. Their remedy is to abolish the regular increases in the state retirement pension which they think is too generous, and to put through a series of tax increases. They want to hike VAT on heating fuel from 5% to 20%, and to put up taxes on the self employed.

What a bizarre and negative mix. Why do they recommend this? Because they say our state debt to GDP is too high, yet it is very similar to the USA and below the levels in Japan, France, Austria, Italy and some other advanced countries. They fail to recognise that the state has bought in a substantial part of the debt they claim to be worried about.

It is difficult to see how taxing the self employed more would help innovation and economic flexibility. It would hit one of the flourishing areas of UK growth. Nor is it easy to see why pushing more people on low incomes into fuel poverty through a massive tax hike on domestic fuel would be a good idea. Nor does removing spending power from pensioners help promote a faster growing economy. This ticket would never win a UK election, and proves again UK voters are more sensible than the IMF.

The IMF does not even seem to be good at forecasting the UK economy. They were too gloomy about the likely short term impact of the vote. They now make much of the slightly slower rate of growth in 2017 compared to 2016, and blame Brexit. If they analysed the figures better they would see growth speeded up a bit after the Brexit vote, and started to slow in 2017 thanks to action to slow the economy taken by their friends at the Bank of England! The Bank has put up rates, sought to tighten car loans and consumer credit, stopped QE and is now withdrawing special lines of credit to the commercial banks. At the same time the European Central Bank has kept interest rates at zero, has printed a lot more money and has not restrained bank credit.

So could we have a bit more analysis and a bit less policy prescription? Oh, and they do condemn UK educational standards at the same time. No mention of the world class universities in the global top ten.