Osborne to hit back at IMF criticism

Chancellor to attack fund on deficit plan
Upbeat tone for Washington speech

By Chris Giles, Economics Editor

George Osborne goes back into battle with the International Monetary Fund this week, telling the fund it was wrong to criticise his deficit reduction plan.

A year after the IMF singled out Britain’s tight fiscal policy for criticism, a buoyant chancellor will use a speech in Washington on Friday to outline his view that getting deficits and debt under control is a prerequisite for recovery and growth.

The spring meetings of the IMF and World Bank come at an opportune moment for the chancellor who is banking in the glow of a successful Budget and an unexpectedly strong economy.

He will use the opportunity to outline a right-of-centre view of growth in a modern economy based on sound public finances, liberalised markets and tax reform.

His upbeat tone will contrast with the bruising encounters in Washington a year ago when the IMF’s chief economist said his deficit reduction plans were so dangerous they were “playing with fire”.

At the time, the fund expected the UK economy to grow by only 0.7 per cent in 2013 and 1.5 per cent this year. The IMF has already had to tear up these predictions and upgrade the UK’s estimated growth more than any other comparable economy.

Its latest view from January is that the economy grew 1.7 per cent and will expand 2.4 per cent in 2014, a prediction that still sits below the forecasts of the Office for Budget Responsibility and the Bank of England.

The IMF is therefore likely to revise its estimates higher again, vindicating the chancellor in the eyes of his aides.

Mr Osborne’s advisers are keen that the IMF should recognise that it made a mistake in stating last year that “recovery is weak owing to lacklustre demand and (oil) consideration should be given to greater near-term flexibility in the fiscal adjustment path.”

The fund is unlikely to admit to a large error in its World Economic Outlook, published tomorrow, but will welcome the rapid recovery in the UK economy. But officials from Washington will find it more difficult to skate over their view in the annual IMF health check of the UK economy due next month.

Last year the economy was already showing signs of life, the IMF pulled its punches in public, but stuck to its view that Mr Osborne was making a historic mistake in private briefings. The Treasury’s view is that some IMF officials, including its chief economist, Olivier Blanchard, singled out Britain’s deficit reduction plan as a proxy for punishing pressure on the Republican right in the US to accept a budget deal with fewer spending cuts and tax increases.

While the chancellor is likely to be polite in public about the IMF’s retreat from its critical stance over UK economic policy, his aim is to ensure Conservative politicians are heard on the Republican right in the US to accept a budget deal with fewer spending cuts and tax increases.

“The bottom line … is that we still don’t have convincing proof that austerity works’

Miller looks set to survive ‘witch hunt’ by the media

By Elizabeth Rigby, Deputy Political Editor

Maria Miller looked like she would cling on to her cabinet post last night as senior colleagues depicted the culture secretary embroiled in an expenses row as the victim of “media antipathy”.

affairs. “MPs marking their own homework always ends in scandal,” Sir Ian told the Sunday Times. “It happened with expenses. It will happen with standards investigations too. Ipsa has shown that independent regulation of parliamentary behaviour can work.”