Written evidence submitted by Peter James Rhys Morgan (Maroeconomist at PJR Morgan)

PJR Morgan Organisation Introduction.

I am a macroeconomist and have my own school of economic thought 'Morganist Economics' which the British government uses extensively. My objective for this submitted report for the 'Economic Impact Of Coronavirus Inquiry' is to protect the economy from the increased risk it is subjected to from the growing level of government debt created by the 'Lockdown' and to campaign to stimulate economic growth to prevent soaring taxation or government spending cuts. I will present solutions to the 'risk' rising government debt has created for the economy.

Preventing Government Debt Interest Payments From Spiralling Out Of Control.

I am concerned that the expanse in government debt could become increasingly expensive if either inflation or the interest rate rise in the future. Index Linked Gilts are government debt products that pay a return that rises in line with inflation. If inflation appreciates the payments on the Index Linked Gilts will become an expensive liability for the government, which could cause government debt to spiral out of control. Before the Coronavirus twenty five percent of the government debt was Index Linked Gilts, inflation risk is relevant to a quarter of the debt.

This makes the government debt incredibly vulnerable to an increase in aggregate prices that could lead to an inability to control the cost of debt repayments. Usually when inflation rises interest rates increase to reduce prices, this then causes another concern for public debt which will require a higher interest rate to entice investment. If anything an increase in the interest rate would be more costly to the Treasury than an rise in inflation. Inflation only makes Index Linked Gilt payments higher, the rest of the debt has to compete with the base rate of interest.

The risk of a Bank of England interest rate rise or the need to increase the return payments on government debt has enlarged as a result of the escalation of public sector borrowing, which the Coronavirus lockdown has caused. It may be less expensive to allow inflation to increase without a subsequent positive increment in the interest rate as a result of how the government debt is composed. There is an alternative option that has been used in preference over the last decade, an increase in pension saving was used effectively to sustain lower rates of inflation.

Pension saving is a saving mechanism similar to the interest rate mechanism that can reduce rates of consumer consumption. By increasing the pension saving allowance or the amount of pension saving the pressure put on the aggregate price for goods and services can be reduced, which prevents the need to increase the interest rate. This protects all debts in addition to the government debt and prevents an economic downturn as well as maintaining minimal public sector debt interest payments, the use of pension saving inflation control is very cost efficient.

Although pension saving receives income tax relief and other tax reliefs when contributions are made, when government debt reaches high levels like since the Coronavirus lockdown it is the less expensive option at controlling an increase in inflation. The method of increasing pension saving is entitled 'Pension Priming' and was proven effective at keeping inflation and the interest rate low in the aftermath of the global financial crisis that occurred in 2007/2009. The use of pension saving inflation control has been less damaging than interest rate control.

An increase in the return payments of government debt is the main vulnerability that the high government debt has generated. If it is not controlled government debt will become difficult to manage and expand even further. Keeping the rate of inflation and the rate of interest low, has become the key to preventing an escalation of the total amount of government debt in the country. The other component is to avoid expanding the government debt any further and to either try to pay it off or reduce it as a percentage of GDP through boosting economic growth.

Economic growth is the least consequential option to manage the increase in government debt and should not be difficult to achieve if new economic stimulation techniques are introduced. There has been a revolution in economic control over the last decade with the reforms made in pension saving and pension investment, which could provide additional economic growth if implemented. An unused growth technique 'Pension Fund Easing' utilises superior pension fund investment placement to maximise the speed of transactions or boost economic output.

Another alternative technique to the traditional economic control model is the use of taxation exemptions for further or additional occupations or businesses. This prevents a decline in the existing taxation inflow but offers an incentive to expand trade in the economy and produce a greater amount of output. The development of a taxation exempt secondary economy on top of the primary economy could provide needed economic growth and a way for individuals to maximise their income, compensating for the increased expenses the Coronavirus has caused.

The conventional methods of using monetary and fiscal policy have become constrained and are no longer effective at stimulating economic growth, the use of the interest rate or taxing the primary economy further is likely to be inimical to the financial system if used to control inflation. New methods of achieving economic growth and economic control have to be used in preference to the current monetary or fiscal policy tools, to prevent harmful consequences impacting financial markets or the country's ability to generate economic output in the future.

Success of Pension Saving Economic Control.

Pension Saving Economic Control is Better than Interest Rate Economic Control.

Pension Priming.

Using Pension Fund Easing To Close The Government Spending Deficit And To Reduce The Overall Government Debt.

Pension Fund Easing.

Supplementary Income 'SASI'.

The 'R-PAID'.

December 2020