

Lessons from the past

Will history prove austerity economics to be the correct decision or a costly mistake?

By [Harry Ashcroft](#)

Tuesday 12 February 2013



Photo credit: Altogetherfool

Austerity could be doomed to the chapters of a history George Osborne would rather not be a part of. Remembered alongside Neville Chamberlain and his bit of paper, Marianne Antoinette and her common touch, or Caligula and his love of married women. History has accepted that these individuals' judgements were wrong, and their legacy is one of failure.

The Conservatives brag that the deficit has been reduced by 25 per cent in three years, but isn't that in line with Labour's forecast at the last Election? To cut the deficit in half this parliament, so surely, Ed Balls got it right?

But I don't believe so, as the UK economy is undergoing structural changes which cannot be pain-free or easy. Austerity, despite its harsh ramifications, is saving us from the perils engulfing the continent. Europe is collapsing around us; in 2010 the situation was not this bad, we knew Greece was in trouble, but the German economy was for a period, booming.

Assumptions of recovery were everywhere, and the reason austerity hasn't reduced the deficit as hoped, is due to the fact that the arguments made in 2010 were arguments made in a different economic climate.

The Eurozone last quarter clocked growth of -0.4, with the traditionally strong economies of Belgium, the Netherlands and France all in negative or zero growth. Europe's private sector is struggling with uncertainty and stagnancy, and when looking at Britain, the indicators of private investment are significantly stronger. In this parliament, the private sector has created more jobs than those lost to cuts despite gloomy growth figures.

Cameron was stupid to argue that the economy could grow directly because of austerity, and he may pay for such political opportunism, taking large swaths of investment out of defence or health isn't going to

help anyone, but that doesn't mean they aren't necessary.

History has shown austerity can work; Thatcher delivered one of the strongest boom eras in modern history, despite the inherited debt. History is also showing that not dealing with debt is destructive, which firm would invest in Greece?

Keynesian economics, like austerity economics is a vicious circle, just one the public aren't yet aware of. For every penny a government spends without knowing how to pay it back, is likely to be a penny an investor in Singapore or New York is more adamant to spend, so don't write off the British economy just yet, Cameron may yet deliver us from this mess.



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