

## The flaw at the heart of Con Dem economic policy

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[Savage spending cuts as global economy slows is folly, economists say | Business | The Observer](#).

As the Observer notes:

*Massive cuts in spending on public sector staff and services will increase unemployment and risk the economy slipping back into recession, economists warned as the [coalition government](#) plans to make an extra £6bn of savings in 2010.*

More than 240,000 public servants could lose their jobs over the next year compared to just over 100,000 planned by the previous [Labour](#) government as ministers block Whitehall departments from replacing departing staff and quangos are shut down.

Private firms that supply the public sector are also expected to be hit, taking unemployment above 3 million for the first time since the early 1990s.

David Blanchflower, who was one of the few economists to predict the severity of the recession, said the government was pressing ahead with cuts based on dogma and ignoring recent developments that allow it to boost investment.

I have predicted it will eventually be worse than that: I see [4 million as the likely unemployment total](#).

And none of this is necessary. As was [reported yesterday](#), because Labour's policies were working the budget deficit was £5.5 billion smaller than expected at the end of March - the saving Osborne is looking for by cutting was, in other words, achieved by spending instead.

Yes - I mean that - it was achieved by spending. When there is no private sector demand to take up the slack in the economy - and that is the case now - then only government spending can do the job, create demand, create work, create wealth, and generate government revenue to pay down debt - which is exactly what has been happening - and which works.

This is the virtuous cycle Osborne will destroy.

That's the flaw at the heart of the Con Dems economic policy.

It is what will pull their government down.