

Let's state the obvious

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I feel a comment on yesterday's fiasco from Osborne is essential, and yet wonder what there is to add.

His plan is failing and what can I say but "I told you so"?

The reality as as [Robert Skidelsky has said in the Guardian this morning](#):

The intellectual debate between George Osborne and his critics hinges on this single point: what is it that makes a deficit-reduction programme "credible"?

Let's start with the theory of the matter. "Look after unemployment," [JM Keynes](#) *said, "and the budget will look after itself."* This was a neat way of saying that a credible deficit reduction plan depends on growth.

There are four engines for growth, and no more. They are:

- 1) Consumer spending, and that's going down due to falling incomes, lack of confidence, rising unemployment and demands for more pension contributions from public sector workers, plus VAT rises.
- 2) Business investment, and that's falling because consumers are spending less.
- 3) Exports, and the Eurozone is now killing those.
- 4) Government spending.

That's it. That's all you need to know about where growth can come from.

And the first three are all in decline, although business is increasingly profitable, perversely (and are lending their profits to government rather than investing it - that and quantitative easing are how the deficit are being paid for).

So, given these facts (for these are facts at present) then there's only one way to go

forward, and that is for the government to spend more. If it doesn't then the cycle of decline continues. That is inevitable.

And as Keynes said, it spends for a reason: it spends to create jobs. That's why the spending has to be on the [Green New Deal](#) (not the government's watered down Green Deal) or infrastructure spending paid for by the government - because that's far and away the cheapest way to fund it (and so getting pension funds to pay for infrastructure directly or subsidising banks to lend to small business makes no sense - the government has to act as organisers, funders, guarantors and so managers of such schemes since this way we get the benefit at lowest cost).

Cutting now, as Osborne plans, simply adds to the recessionary instinct; it adds to the lack of consumer confidence. It ensures there will be even less business investment. And it guarantees that we will be less able to export if ever the chance arises. In other words it guarantees we move to recession from the downturn we're now in.

That's why what Osborne is planning is disastrous. We've already seen all his forecasts collapse as the basis on which they were prepared were fundamentally wrong. But it will get much, much worse than that as time goes on. And that won't be the Eurozone's fault. That will be Osborne's fault.

It's so depressing when what is so obvious is ignored at cost to us all.