

Double dip recession proves Osborne wrong

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The [UK is on double dip recession](#).

Osborne offered us his vision two year ago. It was of “expansionary fiscal contraction”.

His argument was that the more he cut government spending the more people would spend, liberated by knowing that if he succeeded in his aim of balancing the budget tax cuts would follow, letting them repay debt they'd take on now to spend. It hasn't happened. People who face the prospect of unemployment, increased cost for things that were previously provided by the state, lower pensions, higher cost of childcare and the uncertainty of recession have simply stop spending.

And Osborne argued that as government cutback business would rush to fill the space that he would create in the economy because they would be liberated from the yoke of government interference in their activity. It hasn't happened. Businesses have seen that their biggest customer is not spending and have cut their investment, reduced their employment plans, closed their premise, withdrawn from the High Street and battened down their hatches in the hope of survival: the last thing that they have done is expand.

Of course, all of this was completely predictable, and was predicted. I was one of those who did so. With the Green New Deal group I suggested an alternative approach to fending off recession as long ago as the summer of 2008, before the banking crisis developed. Osborne ignored us then, and I have little doubt that he will ignore us now but the price that we will pay for that will be an enormous one.

I suspect that during the course of this year we will come out of recession, but only just.

Much more importantly, I think unemployment will continue to rise as this year progresses, with there being no prospect of any real reversal in site at any time in the foreseeable future as the government continues its programme of reckless cuts that guarantee a continuing downward spiral in confidence that will reduce investment for years to come, and at the same time will destroy any hope of creating a balance in our

economy, or, just as importantly, a balance in our budget.

There is only one way to restore that balance in our economy and that is for the government to spend now on the creation of new infrastructure projects, new green energy projects, on the backlog of repairs that need to be undertaken in our public sector properties, in providing services that people need, and in investing with business in our future in sectors such as non-carbon energy.

This spending will, of course, require additional funding, but there is over £2 trillion invested in pensions at present in this country with more than £900 million (or thereabouts) in the larger pension funds. In that case money seeking a proactive home on which a positive return can be paid does exist. In addition, business itself has £750 billion of cash on its balance sheets right now, none of which is being spent. It is this combined cash that has to be brought into use in our economy if we are to get out of recession and nothing George Osborne is doing will achieve that goal.

We don't, as a result, need corporation tax cuts for big business right now: we need them to pay more tax now so that investment can take place to fund demand for their products. That gets the business cycle going again.

And we need a condition to be placed on pension tax relief saying that 25% of all money going into tax funded pension arrangements has to be invested in projects that can create jobs in the UK right now.

Simple measures like that could get us out of recession. Nothing Osborne is doing can.

It is time for change.