

Osborne's deficit reduction plan is not working accordi...

Published: January 13, 2026, 11:08 am

[Larry Elliott is in good form in the Guardian this morning](#). As he pints out the IMF has just issued their latest forecasts, and for the UK the message is clear, and is that Osborne's economic policy is not working. The deficit forecasts have got persistently worse, not better, and there's no sign of them clearing by 2017, whatever Osborne would like to represent. In fact, all the movement is in the wrong direction now.

As Larry notes:

A number of conclusions can be drawn. First, it is not true that the deficit reduction plan set out by the coalition is working. Progress has been much slower than forecast.

Second, unless the government's supply-side reforms can boost the economy's potential growth rate, knocking the public finances back into shape will require yet more austerity.

Third, it is something of a miracle that the markets have yet to latch on to the UK's combination of weak growth and unmet deficit-reduction targets. The fact that Britain is not part of the single currency, and can thus allow its currency rather than its bond market to take the strain of adjustment, probably has something to do with it.

Fourth, ministers would be unwise to imagine that the UK will remain a safe haven for ever. Should the economy continue to flatline for a further six months, the markets might start to look at Britain with a more critical eye.

I am in broad agreement.

There is only one way to clear our deficit now - and that is for the government to boost demand by spending. That is the only hope we have of getting people back to work, off benefits and into paying tax. Nothing else can do that. Nothing else will solve this problem. Nothing else will address the crisis of unemployment.

Labour has to say so, now.

If it doesn't it too has no way to solve this issue.