

# Osborne's class warfare drives his fixation with auster...

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The whole of George Osborne's economic policy is based upon his determination to remove the government deficit. Because he also hates all forms of taxation [he is determined to do this by cutting government spending](#) and not by increasing taxation in any significant way.

In 2010 Osborne claimed that there was a logic to his policy: he said at that time that we would end up like Greece if we did not cut government spending and tackle our deficit. He was wrong then: Greece was (and is) a country with a desperate shortage of tax revenue because of massive tax fraud and a tax gap that exceeds a quarter of all expected tax revenues and it is also a country with massive economic difficulties from being on the poorer margins of Europe, and a small economy as well, with all that being compounded by being in the Eurozone meaning it had little, or no, effective control over its economic future.

The UK, in contrast, was, and is, the sixth largest economy in the world, has its own currency, is the epicentre of the world's financial trade, has a large tax gap but one that is at least half that of Greece in relative terms, and has the ability to issue its own bonds in its own currency with there being a strong demand for both, then and now. To compare the UK to Greece was absurd in 2010: now, five years later it makes no sense at all because it is apparent that Greece is surviving, as is the Eurozone despite all its problems, and there is no threat whatsoever to the U.K.'s economic credibility from the current level of its budget deficit.

In that case, because the bond market is posing no threat to the UK, and because the interest rate that we pay on our bonds is now so low that the government can effectively borrow costlessly after normal levels of inflation over the period during which the borrowing is likely to continue is taken into account, there is absolutely no pressure whatsoever to close the government deficit at this point of time.

What is particularly galling is that it is very clear that George Osborne knows this. He imposed significant austerity from 2010 2012 but when it became obvious in that year that the pain that this was imposing was too great he took his foot very strongly off the

austerity pedal and the reality is that for the last two years he has let the deficit continue virtually unchanged. The consequence has been that there has been modest growth, even if it has been fuelled by house price increases, and there has been some growth in employment as a consequence, even if much of it is in lowly paid, part time, zero hour contract work or self-employment, which may pay less. The evidence must be of clear to George Osborne that it has been his willingness to let the deficit run that has created any prospect of growth, at all.

So why in that case is he now adamant that the deficit will be closed?

Firstly, most obviously, he wants to get re-elected. In 2010 he created an economic myth that any Chancellor's ability must be appraised upon their willingness to balance the government's books, even if that means that they abandon any responsibility for governing the country in the interests of all its people as a result. Having created the myth, and having got the Daily Mail and the Daily Telegraph to believe it, he now has no choice but perpetuate it when seeking re-election, even if he has not followed the mantra himself because right now he will be borrowing more than £90 billion this year when he forecast a sum no more than a third of that in 2010.

Second, there is a very clear political agenda to this issue. Osborne does believe that it is wrong for the state to support people when they are in need, whatever the cause of that need might be: there can be no other explanation for his welfare cuts that have hit the disabled, the young, the sick and those out of work through no fault of their own so hard. His desire to cut the benefits cap to £23,000 is further indication of this.

Third, George Osborne is a neoliberal: he hates the state and its intervention in markets even when that intervention is designed to correct market failure to the benefit of everybody in a society. Osborne would appear to have it that such failure does not exist, seeming to instead believe that it is government intervention that creates the problem in the first place. His desire to hit at the size of the state is, therefore, dogmatic.

That desire is also pragmatic: Osborne and the other members of the government are part of what is an undoubted ruling elite that has very clearly run out of ideas as to how to invest the capital that they own to increase their financial well-being and that has also realised that there is a limit to the ability of speculative activity to provide returns on their money without creating substantial economic imbalances which threaten their own prosperity. They have as a consequence turned to the dogma of privatisation and outsourcing to pass the security of the government's own ability to create an income stream in the form of tax to the private sector from which the owners of companies can benefit. Since those company owners do, in no small part, come from the same elite of which Osborne is a member, and the directors very definitely do, then the pragmatism in this policy is one of ensuring that Osborne is feathering the nest of his friends so that in due course they might return the favour to him. I have little doubt at all that this is a major motive for what is happening.

And there is a final reason for the current policy worth noting now, and that is that Osborne wants to destroy the power of government to reverse the cuts in its economic role that he is imposing because he, like many neoliberals, believes that the power of democracy can be used to impose taxation on wealth to redistribute it to those who have greater use for it and he deeply resents this based upon a fundamental class hatred. This is why he is seeking to pass law to ban deficit funding in the future. And it is why he is seeking to destroy the effectiveness of democracy at Westminster by exploiting the Scottish devolution debate and it is why he is seeking to destroy the effectiveness of the UK taxation system by devolving parts of it to regional governments in the hope that they will compete rates down so that yields can never be restored in future, especially when it comes to corporation tax and wealth taxes. This is why he has also sought to undermine the power of democracy by creating fixed term elections and (even if he failed on this one) by recasting electoral boundaries.

The desire for austerity can, then, only be explained by a political dogma and not by any rational decision-making process. That dogma is, as is the whole neoliberal dream, based upon a libertarian view of the individual as being of paramount importance, and all other issues, including relationships, society and community well being as not just being secondary but of no importance at all. The measure of success is the accumulation of property rights: their concentration in the hands of a few is not just considered acceptable but as desirable: then the countervailing pressure of government can be resisted.

It is very clear that George Osborne and this government share that view. As a consequence austerity, destruction of the role of government and the undermining democracy all suit their purpose. The totally unnecessary aim of a balanced budget delivered through austerity suits this agenda perfectly, but do not for one minute think that that means austerity is necessary. It is not.

It is essential for the survival of democracy in this country, and for the sake of the survival of our life and society as we have known it, that this political creed be opposed, and that is easy to do. It can be shown that austerity does not work: to some degree current growth is the evidence of that. It can be argued that there is no problem with running a deficit: the financial markets are more than willing to tolerate it. It is obvious that the funding for investment is available: quantitative easing has proven that and inflation has not resulted. If there is a shortage of tax revenue than serious attempts to close the tax gap could be made and, heaven forbid, rates could be raised, starting with corporation tax for large companies. Let no one say alternatives are not available when they are.

What is lacking is political will, at least amongst our mainstream political parties. But if it is not then there is no doubt that alternatives will be sought. UKIP is one response, and a wholly inappropriate one. The Greens are another. And if massive cuts are imposed I cannot see how as the structure of government will, literally, begin to collapse in some areas (as Newcastle has already warned is possible in that City) then

protest will not follow and change with it.

Osborne is pursuing a giant political experiment based on class hatred. It is dependent on those of goodwill to promote the alternative.