

## Osborne is planning for a downturn

Published: January 13, 2026, 2:51 am

---

I hope Geoff Tily at the TUC will forgive me for borrowing these bits [from an excellent blog post by him](#) (of which there is more, that is worth reading):

*There was a significant exchange last week (Tuesday 8 September) ago in the House of Lords Treasury Select Committee.*

*Sir Andrew Turnbull, head of the Civil Service (2002-2005), head of the Treasury (1998-2002) challenged the Chancellor on the real purpose of his spending cuts. Reiterating his support for the initial cuts (discussed further below), he wanted to explore the rationale for aiming at a budget surplus:*

*What I haven't really understood is why the priority given to not just getting this deficit down to zero by 1920 [2020] and then on into surplus.*

*[You can enjoy it [here](#) from 15:55:40.]*

*In particular, Turnbull made the quite radical (but wholly valid) argument that government debt served the further purpose of creating assets into which households can invest:*

*And why is it so wrong to borrow if you are creating assets at the same time. Why are you not looking at the total balance sheet? The other issue is when you talk about debt you talk about debt as if it is impoverishing the future. The majority of UK government debt is owned by UK citizens who have an asset. They own the gilt. So they pay taxes to you, certainly, and then they get the interest in return. So the idea that this debt is impoverishing people I think is an economic fallacy.*

*And then, the jugular:*

*I think what you are doing actually, is, the real argument is you want a smaller state and there are good arguments for that and some people don't agree but you don't tell people you are doing that. What you tell people is this story about the impoverishment of debt which is a smokescreen. The urgency of reducing debt, the extent, I just can't*

*see the justification for it.*

*The Chancellor appeared unruffled, but was about to let a big cat out of the bag:*

*We just disagree. If tomorrow the financial crisis were to hit us, we would have a lot less firepower than we would have if our debt was half [twice, presumably] what it is today as a percentage of our national income. I think it is a responsibility to prepare your country for whatever the global economy throws at it. And you know a debt to GDP ratio, which if we had not done anything about it, would now be approaching 100 per cent of national income is something that is a bit uncomfortably high, frankly. And international observers of western economies tend to use that as a cut off point.*

*The Chancellor has previously argued that cuts are good for growth, but now he's arguing they are in preparation for a financial crisis.*

The admission is a big one: Osborne is expecting a downturn. Everything else he is doing has to be seen in that light.