

Osborne's long term economic plan is increasingly looki...

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The [Guardian has reported](#) today that:

George Osborne's plan to repair Britain's public finances has received a fresh setback from official figures showing that the budget deficit in November was 10% higher than in the same month in 2014.

The Office for National Statistics said the gap between spending and revenues last month was £14.2bn - an increase of £1.3bn on November 2014.

It added:

Borrowing during the first eight months of 2015-16 has been £66.9bn, only £2bn short of the total expected by the Office for Budget Responsibility for the whole of the financial year.

Analysts said it would require a big improvement in the remaining four months of the year to hit the OBR forecast. In the same months of 2014-15, the government borrowed £16bn.

Regular readers of this blog will hardly be surprised: I have been [suggesting for some time](#) that it will be impossible for the deficit targets Osborne has been setting and which the OBR has been approving to be met, and that is proving to be the case.

At some time the reality that the UK's deficit cannot be reduced without forcing the household and business economies into massive debt and without a massive improvement in UK trade and investment balances with the overseas sector taking place is going to have to be faced by all those who cling to the absurd idea that the government can cut its way to a surplus as if it was a household economy.

Osborne will have to eat humble pie in the face of this reality sometime soon. So too will those from all other political parties who have bought into this utterly incorrect economic myth (including many in the Labour Party). The question is, what happens then?

First, there will need to be a recognition that cutting in the current situation is not just unnecessary, it is also harmful and counter-productive: any cuts increase the deficit, and do not reduce them because each pound cut reduces GDP by a greater sum.

Second, there will need to be a frank recognition that government debt is, right now, one of the strongest underpinnings there is for private wealth and that there is considerable demand for it for this reason which makes the demand for cuts absurd even within the context of market economics: what the government is consciously seeking to do is deny the financial markets precisely what they want.

Third, a policy on how to use deficits creatively will be needed. The investment programme long proposed by the Green New Deal group (of which I am a member) remains probably the most coherent suggestion in this respect. That this just so happened to underpin much of Corbynomics is one of those things that we may also have to get used to.

To put it another way, until the economic reality of the situation we are in at present, where deficits are needed, and meet consumer, business and financial sector demands, is accepted the government will continue with an economic strategy that is most akin to fighting shadows, or myths, of its own creation. That is in fact, not a plan, or economic, or long term. It's just a shambles. And the sooner that the evidence that this is the case is appreciated the better.