

Why has it taken so long for the IMF and OECD to say Os...

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The [Guardian notes this morning that](#):

The International Monetary Fund has urged the UK to ease back on austerity should the economy slow further, as it warned finance ministers at the G20 summit in Shanghai to boost public spending on infrastructure to fuel global growth.

[In a report on the UK's economic outlook](#), the IMF said the risks of a more severe downturn were mounting as David Cameron's government battled sluggish productivity growth, a balance of payments deficit, high levels of household debt, and the forthcoming referendum on EU membership.

I agree with the IMF, as I agreed with the OECD when they recently said much the same thing. But I have a question to ask of them both, and it is this: Why did it take you so long to notice that austerity is a policy that was always, economically speaking, destined to send the UK down a road to nowhere at best, and deep trouble at worst? I mean, it is not as if some of us did not notice this: the [Green New Deal group](#) (of which I am a member) urged the type of alternative that the IMF and OECD are now, finally, waking up to way back in 2008.

So what is the problem? It's threefold. First, the IMF and OECD are still really wedded to the idea of expansionary fiscal contraction. This is the notion that the economy always works at full capacity and that the state and private sector compete for scarce resources and that as the private sector supposedly always uses them better it must make sense to cut the state as this will boost growth. The argument is, of course, wrong. First, we are not at full capacity and, as both the IMF and OECD have now admitted (but many right wing economists will not), the state frequently has multiplier effects of more than one, i.e. a pound of state spending generates growth of more than that. In this real world state spending does therefore aid the economy and austerity harms it, but I still think both organisations have problems accepting this.

Second, as a result of not acting on an appropriate theoretical foundation the IMF and OECD blow in the wind on what to say, always reacting to current data and making

panic announcements when reality still does not accord with what they anticipate.

And third? There's the problem of just admitting they have been wrong for so long and that we do really live in a mixed economy where a strong state is the necessary partner for a strong private sector and that they then complement and not hinder each other. You would think this a statement of the bleedin' obvious, but it is not to the market fundamentalists and their world view is still holding us back.

It really is time they looked beyond the whiteboard, smelt the coffee and talked about the world as it is. We really do need [a cappuccino economy](#), where the espresso of the state complements the hot frothy milk of the private sector and there's even room for a little fun with the chocolate on top. Why not say so and kick the redundant dogma aside?