

Cameron and Osborne's austerity agenda failed the UK

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Amongst those on whom the Covid inquiry will shine a spotlight are David Cameron and George Osborne. The question they will be asked is whether the austerity that they introduced to the UK was responsible for leaving the UK ill-prepared for the Covid pandemic.

I considered the austerity that Cameron and Osborne were responsible for and planned in a paper I wrote in 2015 entitled '*Why the UK's Fiscal Charter is Doomed to Fail: An Analysis of Austerity Economics during the First and the Second Cameron Governments*'. [It is available here](#).

A key chart might be this one:

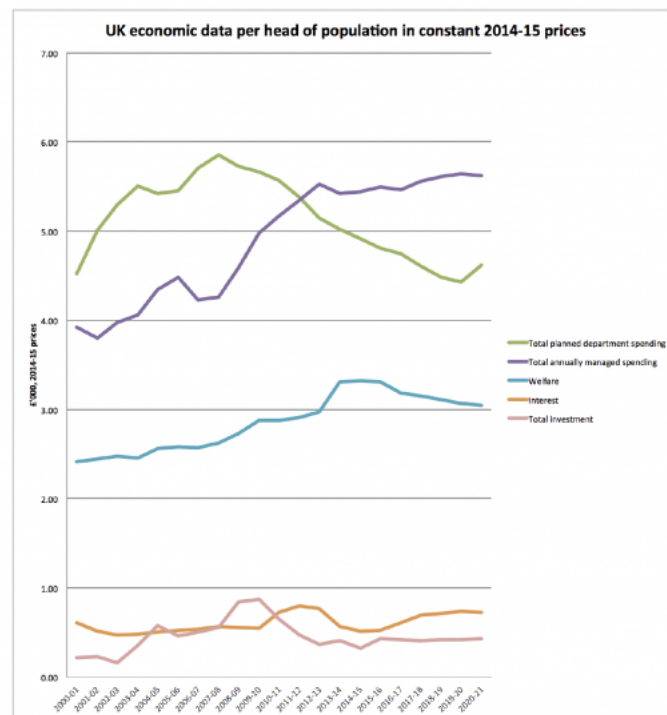


Figure 8. Sources: Budget data 2000 to 2015 and OBR forecasts July 2015 and as noted in text

The split between annually managed spending and planned department spending is explained [by the government](#) like this:

The total amount that the government spends is also known as Total Managed Expenditure (TME). This is split up in to:

- departmental budgets – the amount that government departments have been allocated to spend; this is known as Departmental Expenditure Limits, or DEL.
- money spent in areas outside budgetary control – this is all spending that is not controlled by a government department and includes welfare, pensions and things such as debt interest payments.; this known as Annually Managed Expenditure, or AME.

In summary, what Osborne and Cameron did then was to:

- * *Cut all the expenditures that made it seem as if the government could make a difference to well-being;*
- * *Contain essential spending;*
- * *Reduce investment;*
- * *Reduce social security spending, inevitably making people worse off;*
- * *Keep interest rates low to control interest spending.*

The scale of the cuts in planned spending was staggering: the intention was that it should be by 25%.

Meanwhile, their plans for tax were moving in the opposite direction:

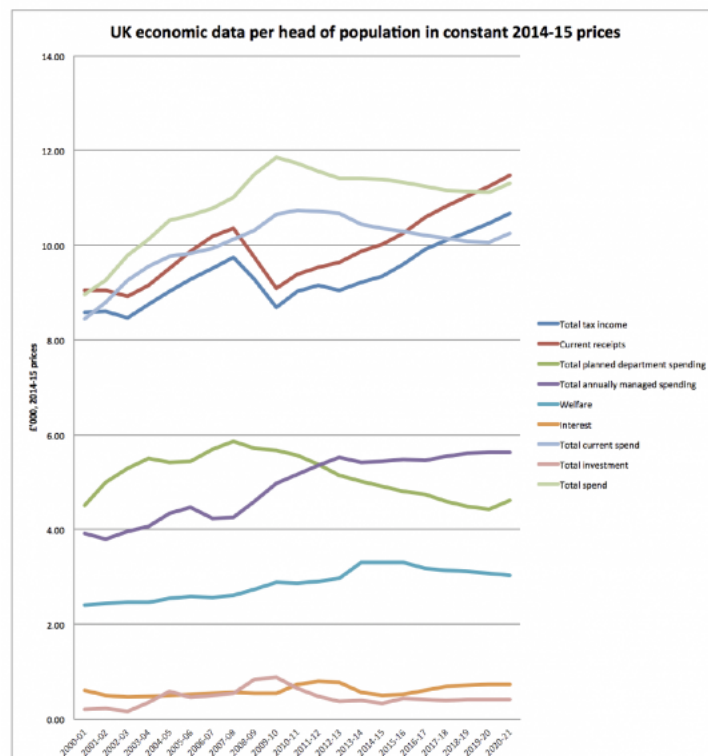


Figure 4. Source: HM Treasury budget data 2000–2015 and ONS population data

As total planned spending per capital fell, total planned taxes rose significantly so that a budget balance could be achieved - supposedly.

Their goal was to tax more and spend less. You cannot be more recessionary than that. Only QE kept the economy afloat.

When it came to who paid the tax, this was telling:

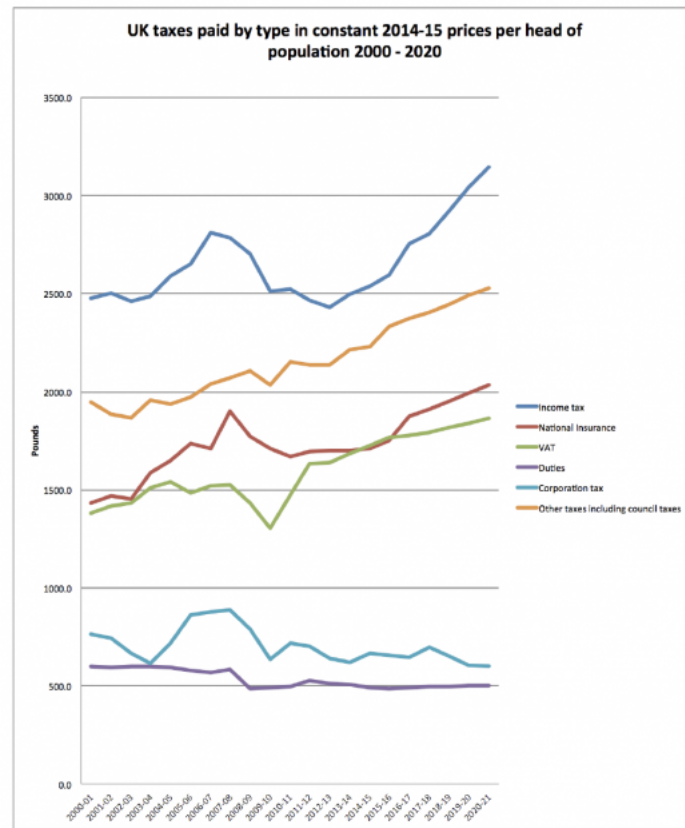


Figure 9. Sources: UK HM Treasury Budgets 2000-2015 and July 2015 OBR projections and as noted in text

Income tax, national insurance and council taxes were to bear the burden. Corporation tax was spared. So too was VAT. In other words, those most suffering from the cuts were to pay for them.

The policy was, I predicted, a disaster in the making (using slightly more moderate language). So it proved to be. We were left hopelessly ill-prepared for Covid and what followed.

Cameron and Osborne were a disaster for the UK economy, and yet Labour is now dedicated to much the same policy. And this time no QE is planned. So far, nothing has been learned from the grim experience of 2010-2019. Maybe Lady Hallett will set the record straight. Maybe she will also be too late.