

## There is a strong *economic* case against austerity – that has been hidden from the electorate

(version 2 – after GE2015, version 1 was pre-election)

Most people realize that austerity cuts hit the poor and disabled most – those who did not cause the recession, nor the consequent rapid increase in the deficit from its small size before the crash. The wealthy bankers who brought about the crash, credit crunch and recession,<sup>1</sup> which in turn caused tax revenues to plunge and thus the deficit to rapidly increase, have in contrast escaped “scot free”. This injustice was helped by the diversion of blame onto Labour by the coalition government and the media. And this diversion is hardly surprising, as the Conservative Party is half-funded by “The City”<sup>2</sup>, and also made the crash more likely in the first place by deregulating the banks under Thatcher. Labour’s error in government was to increase the risk still further by allowing the banks free rein by “soft touch”. It was unpayable private debt that triggered the crisis and its consequences, not the government’s public debt.

Are you concerned that the victims of the recession are unethically punished not the perpetrators? Maybe you think austerity is an economic necessity so that’s just hard luck? These facts may make you think again:

Far fewer people who aren’t economists know that:

**1. Most economists independent of “City interests” reckon that austerity cuts are bad for the economy – especially during a recession (and more so when interest rates are at or near the ‘Zero Lower Bound’).**

**2. The recovery didn’t start until *after* the austerity cuts had been eased off by Osborne in 2012 (and put on hold until after the 2015 election). The austerity delayed the recovery.**

But the evidence for 1 and 2 has been hidden from the public by most of the media (and replaced with diversionary myths), and data shows that the BBC post-crash gave overwhelming air-time to the City interests who had caused the crash instead of the academic economists without a vested interest, thus framing the debate on a false narrative it has stuck to ever since<sup>3</sup>, (so much for BBC “balance”).

Now for the evidence:

Two-thirds of 33 economists surveyed by the Centre for Macroeconomics disagreed with the proposition that the government’s pro-austerity policies since 2010 have had a “positive effect” on the

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<sup>1</sup> [Labour overspending did not trigger financial crash, says senior civil servant](http://www.theguardian.com/business/2015/may/03/senior-tory-financial-crash-was-purely-a-banking-crisis-not-labour-overspend) “Permanent secretary to Treasury, Sir Nicholas Macpherson, contradicts Tory pre-election claims, saying financial crisis was ‘a banking crisis pure and simple’” writes Patrick Wintour of The Guardian. <http://www.theguardian.com/business/2015/may/03/senior-tory-financial-crash-was-purely-a-banking-crisis-not-labour-overspend>

<sup>2</sup> The Bureau of Investigative Journalism: <https://www.thebureauinvestigates.com/2011/02/08/city-financing-of-the-conservative-party-doubles-under-cameron/>

<sup>3</sup> ‘Hard Evidence how biased is the BBC’ – Mike Berry, lecturer at Cardiff University <https://theconversation.com/hard-evidence-how-biased-is-the-bbc-17028> Results of data analysis showed that “...City financiers who had caused the crisis were given almost monopoly status [by the BBC post-crash] to frame debate ...” in last section, with heading ‘City voices’. Also: [EXCL BBC journalists told to use ‘savings’ instead of ‘cuts’ in news](#) Sunny Hundal in Liberal Conspiracy, 3mar11.

economy.<sup>4</sup> This view is shared by top economists such as Nobel laureate Paul Krugman (the “Liberal with a conscience”) – such as in his excellent Guardian article “The austerity delusion”<sup>5</sup>, as well as Oxford University’s Professor Simon Wren-Lewis.

Austerity suppresses economic activity and thus delayed the recovery, and this is supported by data in a report from the Office of Budget Responsibility (OBR). Professor Wren-Lewis summarized the OBR results, which show that economic activity was suppressed when austerity was high in the first 2 years of the coalition government, and this resulted in a “total output cost of at least 5% of GDP, which is about £1,500 per person or £4,000 per household”<sup>6</sup>. That’s just in economic terms and has implications on living standards<sup>7</sup>; more important to me are the more immediate social hardship costs but here I focus on economics.

What most of the public is unlikely to realize due to media silence, but Wren-Lewis points out in his article ‘The Austerity Con’<sup>8</sup> and his blog on media myths, is that the austerity cuts in 2010-12 delayed the recovery. But before the recovery started in 2013, Osborne eased off on austerity in 2012 (not publicized), and then with media help claimed the recovery as vindication for austerity<sup>9</sup>, which he now wants to ramp up considerably.

Austerity also ramps up the several-decades-long rise in income inequality, and an OECD report showed that “Income inequality has a “statistically significant [negative] impact” on economic growth” (BBC).<sup>10</sup> (I would prefer to use the term “economic activity” here, as “growth” is such a misused term when used as an assumed necessity before unsustainable parts of GDP have been excluded). / -

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<sup>4</sup> ‘[Two thirds of economists say Coalition austerity harmed the economy](http://www.independent.co.uk/news/business/news/two-thirds-of-economists-say-coalition-austerity-harmed-the-economy-10149410.html)’ Ben Chu 1apr15 - Business News - Business - The Independent <http://www.independent.co.uk/news/business/news/two-thirds-of-economists-say-coalition-austerity-harmed-the-economy-10149410.html>

<sup>5</sup> At least two **Nobel laureate economists**, Joseph Stiglitz and Paul Krugman, attack austerity, for example: “[The Austerity Delusion](http://www.theguardian.com/business/ng-interactive/2015/apr/29/the-austerity-delusion)” by Paul Krugman 29apr15 “The case for cuts was a lie; why does Britain still believe it?” (e.g. see chapter 4 after intro) <http://www.theguardian.com/business/ng-interactive/2015/apr/29/the-austerity-delusion> - a long though worthwhile read, so see summary within Larry Elliott’s piece first for some key points: <http://www.theguardian.com/business/2015/apr/28/top-economist-attacks-tory-austerity-labours-limp-response-paul-krugman>

<sup>6</sup> Professor Simon Wren-Lewis in his blog ‘mainly macro’: ‘[mediamacro myths an introduction](http://mainlymacro.blogspot.co.uk/2015/04/uk-mediamacro-myths-introduction.html?utm_source=feedburner&utm_medium=twitter&utm_campaign=Feed:+MainlyMacro+(mainly+macro))’ 20apr15 [http://mainlymacro.blogspot.co.uk/2015/04/uk-mediamacro-myths-introduction.html?utm\\_source=feedburner&utm\\_medium=twitter&utm\\_campaign=Feed:+MainlyMacro+\(mainly+macro\)](http://mainlymacro.blogspot.co.uk/2015/04/uk-mediamacro-myths-introduction.html?utm_source=feedburner&utm_medium=twitter&utm_campaign=Feed:+MainlyMacro+(mainly+macro))

<sup>7</sup> <http://leftfootforward.org/2015/04/2010-2014-the-worst-five-year-period-for-living-standards-since-records-began/> & LSE Prof Van Reenen’s chart on GDP per person <http://blogs.lse.ac.uk/generalelection/the-real-choices-facing-the-uk-electorate/>

<sup>8</sup> Simon Wren-Lewis · [The Austerity Con](http://www.lrb.co.uk/v37/n04/simon-wren-lewis/the-austerity-con) · LRB 19 February 2015 <http://www.lrb.co.uk/v37/n04/simon-wren-lewis/the-austerity-con> And other top economists agree with him on Osborne’s false claim, including Nobel economists Paul Krugman and others. [Example](#) – & see e.g. ‘Chapter 4’ of Krugman’s ‘Austerity delusion’ – link in 1 above. Tories good for economy??

<sup>9</sup> ‘[Mediamacro myth 6 2013 recovery vindication](http://mainlymacro.blogspot.co.uk/2015/04/mediamacro-myth-6-2013-recovery.html?utm_source=feedburner&utm_medium=twitter&utm_campaign=Feed:+MainlyMacro+(mainly+macro))’- mainly macro, 26apr15 (& chart in Van Reenen – see footnote 3) [http://mainlymacro.blogspot.co.uk/2015/04/mediamacro-myth-6-2013-recovery.html?utm\\_source=feedburner&utm\\_medium=twitter&utm\\_campaign=Feed:+MainlyMacro+\(mainly+macro\)](http://mainlymacro.blogspot.co.uk/2015/04/mediamacro-myth-6-2013-recovery.html?utm_source=feedburner&utm_medium=twitter&utm_campaign=Feed:+MainlyMacro+(mainly+macro))

<sup>10</sup> 9dec14 BBC ‘Inequality ‘significantly’ curbs economic growth - OECD - BBC News’ <http://www.bbc.co.uk/news/business-30390232> - “Income inequality has a “statistically significant [negative] impact” on economic growth, according to research by the Organisation for Economic Co-operation and Development (OECD).”

Austerity cuts aim to rapidly reduce the annual deficit, but this effect is lessened as [it also cuts tax revenue \(by reducing economic activity\)](#)<sup>11</sup> - a vital part of the deficit equation which often gets ignored in the “deficit obsession” by the government and media. Economists recently showed they do not regard deficit reduction as the most important urgent priority for a better economy<sup>12</sup>. Deficit reduction is more easily managed when the economy is thriving for all, which also increases tax revenue.<sup>13</sup> (In the meantime tax revenue can be hugely increased by ensuring multinationals pay at least as much corporation tax as domestic firms, which would also benefit SMEs by regaining a fairer level playing field).

I hope the above restores some balance on austerity – especially with regards which Party is the least-worst on the economy. The electorate had a choice of pro-austerity to “austerity-lite” in the 3 main Parties, but sadly the majority of the media, [especially most newspapers](#),<sup>14</sup> wanted Cameron back, and denied the public the knowledge of the strong economic case against austerity. Despite this suppression of facts, anti-austerity Parties such as the Green Party and SNP gained votes and members.

We must ask ourselves how much history could have been different if there had been media balance on austerity economics – and how much the media controls events. We expect bias from the “red top press”, but from tv media, especially the BBC, it is very worrying. It is also dangerous to our futures as it compounds the dangers from BBC’s “false balance” on climate change to have a fossil-fuel-funded Party now in power, just at a time when our window for keeping global temperature rise below disastrous is rapidly closing.

For links to my references: [www.bit.ly/austeritycon](http://www.bit.ly/austeritycon) for pre-election version and [www.bit.ly/austeritycon2](http://www.bit.ly/austeritycon2) for the present post-election version.

Dr Henry Adams, Kendal (an ecologist, not an economist, but both entail analysing complex systems)

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P.S. For brevity and focus on the economic case I under-played my own views on austerity and my interest in progressive sustainable economics, instead focusing on those of non-City “mainstream” economists. My uppermost view: It is unacceptably unethical and immoral for those who did not cause the post-crash rise in deficits – those on lower incomes - to be forced to pay for and suffer from economically unnecessary measures to try and rapidly reduce the deficits (and to suffer from “shrink the state” ideology), when the super-rich sector who caused the crash escape paying for its

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*Footnote 5 continued: This article being by BBC appears to refute accusations of BBC bias – but it is not BBC online articles I’m referring to but BBC newsreaders/presenters/newseditors, who fail to use such information to question politicians, and instead frame their questions with neoliberal presumptions – such as the myth-presumption that reducing the deficit is the most important priority for the UK economy, and also BBC’s failure to undermine coalition propaganda for example, for example that aiming to make the public believe the “financial crisis” was due to Labour “profligacy” (myth) not the banks.*

<sup>11</sup> Ann Pettifor & OBR 9jun15 <http://www.primeconomics.org/articles/try-as-he-may-the-chancellor-cannot-eliminate-the-deficit>

<sup>12</sup> [The economists’ manifesto - If Britain’s top economists were in charge, what policies would they implement? Tim Harford sets the challenge](#) – FT

<http://www.ft.com/cms/s/2/7da2852c-e3af-11e4-9a82-00144feab7de.html> and see Prof. SWL follow-up: [http://mainlymacro.blogspot.co.uk/2015/04/should-economists-rule.html?utm\\_source=feedburner&utm\\_medium=twitter&utm\\_campaign=Feed:+MainlyMacro+\(mainly+macro\)](http://mainlymacro.blogspot.co.uk/2015/04/should-economists-rule.html?utm_source=feedburner&utm_medium=twitter&utm_campaign=Feed:+MainlyMacro+(mainly+macro))

<sup>13</sup> Interest on government debt is c.7% of annual expenditure. I’m not ignoring it, but there are better ways of getting to reduce that debt by looking at the bigger picture. A bigger threat to the economy is private debt: [read Professor Steve Keen](#) who predicted the crash. NB: crash was unpayable *private* debt not government debt aka public debt. Private debt is worsened by our privatised creation of 97% of our money by banks as debt (read e.g. [Positive Money](#) and Ann Pettifor).

<sup>14</sup> [‘Newspapers, not BBC, led the way in biased election coverage’](#) Professor of Communication, Cardiff University, [tv media then followed the newspaper print media by focusing on Conservative agendas, he concludes] 15may15 <https://theconversation.com/newspapers-not-bbc-led-the-way-in-biased-election-coverage-41807>

I saw that BBC’s Sophie Raworth could not hold back her ecstatic pleasure on hearing that the Tories had gained a majority, which suggests she felt safe that her co-presenters and line-manager probably shared similar views.

consequences. Furthermore, and exacerbated by austerity cuts, we have seen the poor get poorer and the rich richer since 2010. Maybe hardly surprising when the Party with most power in the coalition is half-funded by financial sector City interests – who were the people who brought about the 2007/8 crash.

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## APPENDIX - optional extra reading and facts

GRAPHS, CHARTS etc on next page

At least two **Nobel Laureate economists** are against austerity: **Joseph Stiglitz** and **Paul Krugman**. After submitting the pre-election version of the above to Westmorland Gazette these appeared in The Guardian:

28apr15 **'Top economist attacks Tory austerity – and Labour's limp response'** Larry Elliott summarizes some key points in Paul Krugman's 'The Austerity delusion': "Plans by the Conservatives and Labour for a fresh round of deficit reduction after the general election are being strongly attacked by one of the world's leading economists who warns that renewed austerity will hold back a still-incomplete recovery." Refers to:

**"The austerity delusion" – Paul Krugman, 29apr15** – a "long read" but worth it (summary in link above) <http://www.theguardian.com/business/ng-interactive/2015/apr/29/the-austerity-delusion>

**Professor Simon Wren-Lewis**, 'mainstream' macro-economist at Oxford University. In his blog 'mainly macro' he has been attacking austerity very frequently for some time, with arguments based on data and charts. And pre-election he has been attacking other neoliberal myths too e.g.:

mainly macro UK **'mediamacro myths an introduction'** 20apr15

[http://mainlymacro.blogspot.co.uk/2015/04/uk-mediamacro-myths-introduction.html?utm\\_source=feedburner&utm\\_medium=twitter&utm\\_campaign=Feed:+MainlyMacro+\(mainly+macro\)](http://mainlymacro.blogspot.co.uk/2015/04/uk-mediamacro-myths-introduction.html?utm_source=feedburner&utm_medium=twitter&utm_campaign=Feed:+MainlyMacro+(mainly+macro))

mainly macro **'Mediamacro myth 1 2010 Britain faced a financial crisis'** 21apr15

[http://mainlymacro.blogspot.co.uk/2015/04/mediamacro-myth-1-2010-britain-faced.html?utm\\_source=feedburner&utm\\_medium=twitter&utm\\_campaign=Feed:+MainlyMacro+\(mainly+macro\)](http://mainlymacro.blogspot.co.uk/2015/04/mediamacro-myth-1-2010-britain-faced.html?utm_source=feedburner&utm_medium=twitter&utm_campaign=Feed:+MainlyMacro+(mainly+macro))

mainly macro **'Mediamacro myth 2 Labour profligacy'**

[http://mainlymacro.blogspot.co.uk/2015/04/mediamacro-myth-2-labour-profligacy.html?utm\\_source=feedburner&utm\\_medium=twitter&utm\\_campaign=Feed:+MainlyMacro+\(mainly+macro\)](http://mainlymacro.blogspot.co.uk/2015/04/mediamacro-myth-2-labour-profligacy.html?utm_source=feedburner&utm_medium=twitter&utm_campaign=Feed:+MainlyMacro+(mainly+macro))

Here is a quote from SJL explaining how the "austerity con" worked:

I've [talked](#) at length about mediamacro: a network of [myths](#) which enable failure to be turned into success. I've not come across a single non-City, non-partisan economist who does not concur with the view that the performance of the coalition has been pretty poor (or simply terrible), yet polls repeatedly show that people believe managing the economy is the Conservatives' strength. This trick has been accomplished by [equating](#) the government's budget with the household, and elevating reducing the deficit as the be all and end all of economic policy.

This allowed Cameron to [pass off](#) the impact of [bad](#) macro management in delaying the recovery as inevitable pain because they had to 'clear up the mess' left by their predecessor. In a recent [poll](#) a third of people blamed Labour for austerity. Yet for that story

to work well, the economy had to improve towards the end of the coalition's term in office. The coalition understood this, which was why austerity was [put on hold](#), and everything was thrown at the economy to get a recovery, including pumping up the housing market. In the end the recovery was pretty [minimal](#) (no more than average growth), and far from secure (as the 2015Q1 growth figures showed), but it was enough for mediamacro to pretend that earlier austerity had been [vindicated](#). (And, to give them their due, they are very good at pretending.)

*[a quote from SWL's blog post dated 8may15 in his 9may15 email]*

**NB: nef** - the **New Economics Foundation** and other economists have also described some of the numerous neoliberal myths and did this years ago. An excellent team of economists – discussing sustainable economics for all of us not just the few.

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BBC newsreaders and presenters appear not to know or want to use the myth-busting evidence-based arguments but prefer to echo "public perception" / media perception / Party propaganda presumptions and viewpoints which are often simply neoliberal ideologies.

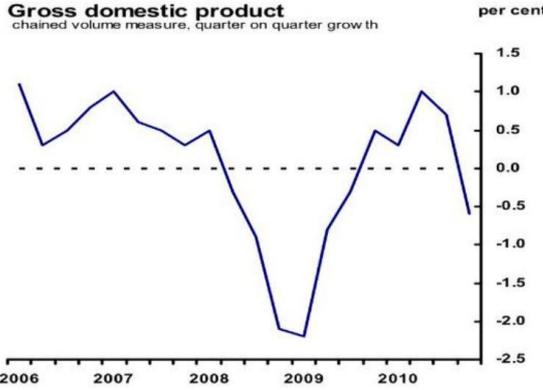
And many newspapers are owned by neoliberal-minded corporate interests who wish to control how the public think. And that includes ensuring evidence against austerity is suppressed.



**Paul Mason**  
@paulmasonnews

Following

Why do Conservatives claim "economy was contracting when we came to power"? It took a dive after 2x Osborne budgets.



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**Henry Adams**  
@henryadamsUK

.@BBCNewsnight Please ensure voters know that #austerity delayed & hindered the #recovery, & was eased off to allow it [theguardian.com/business/2015/...](http://theguardian.com/business/2015/...)



The Guardian



Top economist attacks Tory austerity – and Labour's limp response  
Nobel prize-winner Paul Krugman says both parties are 'in effect promising a new round of austerity that might well hold back a recovery' after election

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The majority of economists now agree that austerity harms economic growth. Unfortunately the majority of newspapers don't #LancetElection

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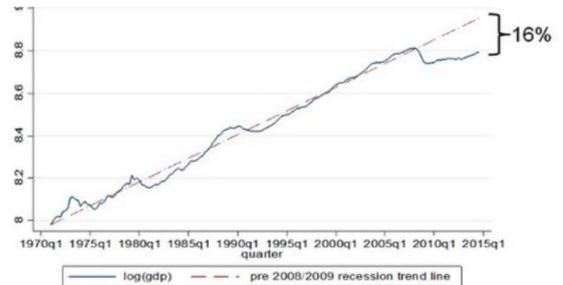
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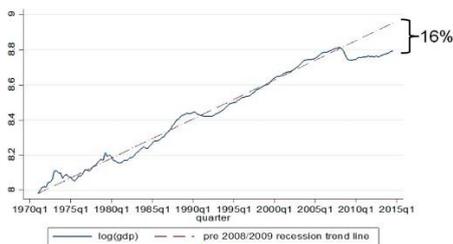
### The real choices facing the UK electorate



The possible spending plans of Labour and the Tories illustrate the fact that there are real choices to be made at the election, writes [John Van Reenen](#).

When viewed over the longer term, the state of the UK economy is not pretty. National income per person is today about 16 per cent below where it would be on pre-crisis trends (see Figure 1). This is a dismal performance and reflects the worse recovery in living memory.

Figure 1: A dismal economy? GDP per person is now 16% below trend



Note: Trend line at 0.558% per quarter (linear trend from 1970Q1 to 2008Q1 when recession began). Growth 2010Q2 to 2014Q3 was 0.195% per quarter. Quarterly Gross domestic product (average) per head (series shown, market prices (downloaded February 23rd))