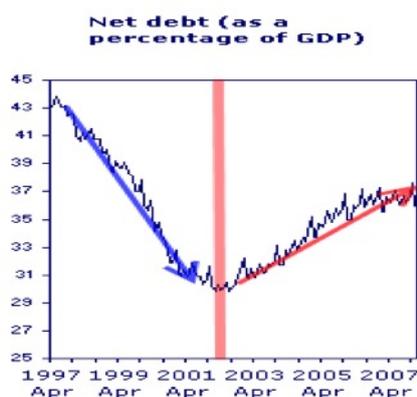


[New New Labour Economics](#) [1]

Written by [James Lawson](#) [2] | Wednesday 7 July 2010

Over the last year we have seen Labour's line on the economy develop. Firstly, debt rose because of the action needed to secure recovery. Secondly, we should be hostile to the Coalition's cuts. Thirdly, the cuts threaten to plunge us into a double dip recession. All three of these are a deception.

[1] It is certainly true that debt rose faster as we entered recession, with low tax receipts and more government payments, combined with bailouts and stimulus (whose merits I do not assess here). However, the [Labour government, its regulators and the Central Bank](#) [3] must take much of the [blame](#) [4] for getting us into the crisis in the first place. Furthermore, spending and debt once Labour dropped the Tory spending plans were already on an unsustainable trajectory, before the crisis even began ([not to mention the further spree and the off balance sheet debts](#) [5]).



[2] They have attempted to create a dividing line. Unfortunately not only are they on the wrong side, appearing delusional, but their own [spending plans implied substantial cuts too](#) [6]. Their rhetoric too [often forgets the opportunity cost of government action and the existence of a private sector](#) [7]. If they want to be taken seriously again, they must get a hold of reality and be honest.

[3] If we enter a double dip recession, it won't be the Coalition who's to blame. Labour never led us to a robust recovery, if 0.3% GDP growth counts as a recovery at all. The effects on the real economy have yet to all unfold, we must one day unwind the printing presses, and many of our trade partners that have followed socialist policies and failed to tackle their debt addictions are stagnating. Further adjustments due to the Labour era mal-investments, government burdening the productive private sector, limited trade demand and declining confidence pose the greatest threat of extending the crisis. Responding to debt and unleashing private enterprise are the only way to escape.

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