Austerity economics comes directly from EU policy and the Maastricht requirements

Sometimes important things are hidden in plain sight. The contentious policies of getting the Uk budget deficit down below 3%, and getting state debt to fall as a percentage of GDP which have guided policy since the crash under Labour, Coalition and Conservative governments were made in Brussels. I supported the Labour and Coalition governments from 2009 saying annual borrowing was too high and needed curbing to avoid a crisis of confidence in the UK as a borrower, but have not agreed in recent years with the anti growth stance that the Maastricht state debt rules has encouraged in much Establishment thinking. These rules have been the background to low and no growth in several countries on the continent and to mass unemployment in much of the south and west of the Euro area.

Once a year the UK has a Parliamentary debate around a Treasury Statement on how we have got on in complying with the Masastricht rules. In the last three years the government has been able to report they are below the annual deficit ceiling, but have not until recently started the bigger task of getting state debt down to 60% of GDP. It is this latter rule which encouraged first Mr Osborne then Mr Hammond to resist tax cuts and spending increases that could have boosted the growth rate and improved our investment in transport or improved performance in education and training . Mr Osborne said he wanted to go further and faster than the outgoing Labour government in meeting the Maastricht requirements from 2010 onwards, inheriting big cuts in spending and tax rises from Labour who were also wedded to the policy. In practice he ended up by 2015 in achieving the extent of deficit reduction Labour were planning. He wisely alleviated the extreme cuts on capital spending Labour put into their forward budgets.

As we leave the EU it is time to rethink our economic guidelines. Of course we need to control annual deficits, but we should be less concerned about the debt as percentage of GDP at current levels, and less concerned about borrowing to invest where the public sector has genuinely worthwhile projects that can earn a decent return. As proof that our economic policy has been dominated by Maastricht, I reproduce below a few sentences from the ONS who have set out at length our dependence on the EU rules and our efforts to meet them.

ONS :
"•General government gross debt was £1,821.3 billion at the end of the financial year ending March 2019, equivalent to 85.2% of gross domestic product (GDP) and 25.2 percentage points above the reference value of 60% set out in the Protocol on the Excessive Deficit Procedure.

•General government gross debt first exceeded the 60% Maastricht reference value at the end of the financial year ending March 2010, when it was 69.6%

of GDP.

•General government deficit (or net borrowing) was £25.5 billion in the financial year ending March 2019, equivalent to 1.2% of GDP and 1.8 percentage points below the reference value of 3.0% set out in the Protocol on the Excessive Deficit Procedure.

•This is the third consecutive financial year in which general government deficit has been below the 3.0% Maastricht reference value.

The EU government debt and deficit statistical bulletin is published quarterly in January, April, July and October each year. This is to coincide with when the UK and other EU member states are required to report on their deficit (or net borrowing) and debt to the European Commission.

Article 126 of the Treaty on the Functioning of the EU obliges member states to avoid excessive budgetary deficits. The Protocol on the Excessive Deficit Procedure, annexed to the Maastricht Treaty, defines two criteria and reference values with which member states' governments should comply. "