Labour's economic legacy in 2010

The debt inherited by the Labour government was 42.5% of GDP. This was brought down to 30.9% by 2001. (See table below, which is derived from data from the Office of National Statistics.)

The deficit was £22.7 bn in 1996 and Labour turned this into a surplus in the four years 1998 to 2001. My memory is that Gordon Brown said that he would keep the national debt to around one-third of GDP, although I cannot actually find chapter and verse for this. He did this, more or less, until 2004, when he did allow it to creep up a little until 2007, when the financial crisis hit. With hindsight, one could argue that he let the deficit increase too much in 2003 to 2005, but he was already pulling it down again in 2006, just before the financial crisis, to a level well below that inherited from the previous government. Also, as Ed Balls admitted in his Bloomberg speech, Labour's attempts to rein in the housing boom were less than successful.

So, the debt before the first signs of the financial crisis was 36.6%. This was lower than the net debt of France or of Germany. Furthermore, right up to November 2008, George Osborne was promising that a Tory government would replicate Labour's spending plans, so he presumably did not think that they were profligate then.

YEAR	Surplus/ deficit, £m (inc financial interventions)	Surplus/ deficit, £m (exc financial interventions)	Net debt as % of GDP (inc financial interventions)	Net debt as % of GDP (exc financial interventions)	Party in power
1993	-40,576	-40,518	34.8	34.8	Con
1994	-36,268	-36,238	39	39	Con
1995	-28,232	-28,257	41.5	41.5	Con
1996	-22,749	-22,714	42.5	42.5	Con
1997	-11,246	-11,300	41.7	41.7	Lab
1998	6,903	6,902	39.2	39.2	Lab
1999	17,474	17,475	37.1	37.1	Lab
2000	21,489	21,489	32	32	Lab
2001	19,645	19,645	30.9	30.9	Lab
2002	-6,978	-6,978	31.6	31.6	Lab
2003	-19,826	-19,826	32.5	32.5	Lab
2004	-20,968	-20,968	34.5	34.5	Lab
2005	-18,639	-18,639	35.8	35.8	Lab
2006	-8,380	-8,380	36.6	36.6	Lab
2007	-10,284	-10,375	44	37	Lab
2008	-21,252	-30,393	151	42.8	Lab
2009	-80,022	-103,276	156.4	51.6	Lab
2010	-85,186	-107,888	150.5	65.7	CON/LD
2011	-59,739	-90,023	145.2	71.3	CON/LD
2012	-74,695	-97,744	140.1	75.6	CON/LD

Surplus/deficit
ONS definition: gap between taxes and government receipts and government spending

After the election, Conservative and Lib. Dem. ministers followed an apparently co-ordinated plan to blame Labour for the "mess that they left behind". Harriet Harman was acting leader at the time, but was focussed on running the leadership election fairly. As a result, she failed to prevent this from becoming, as a result of constant repetition, the received wisdom.

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