

David cameron  
economic policies  
economics essay



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In 2008, the British economy was facing recession. The manufacturing and construction sector were experiencing a slump in their profitability, while the service sector was not growing. David Cameron took over as the Prime Minister of Britain, in the year 2010. The Prime minister introduced the deficit -reduction strategy as his main policy of improving the British economy (Faulconbridge and Matt, 2). The economy reacted passively, with a minimal increase of its GDP, which stood at 1. 1%. In 2011, the economy did not peak, though there was a reduction in the government's budget deficit, due to the austerity measures of David Cameron government. In 2012, the British economy experienced a slump in growth. The nation's budget deficit grew to 11%. The GDP of the country fell by a margin of 0. 7% in the year 2012.

This is attributed to the amount of money the government spent in hosting the Olympics. However, David Cameron defended the move arguing that the construction will give the country an approximate amount of 13 billion pounds, over the next ten years. This paper analyzes the David Cameron policies on economic development in Britain. It analyzes the results of these policies, and the public reaction to the policies. It draws a conclusion on whether David Cameron is enacting the right policies that are beneficial to the British, over a long period of time.

The Cameron government has enacted policies of dealing with budget deficits, and government debts. In the financial year of 2010/2011, the Conservative government introduced an emergency budget that was aimed at reducing the structural deficits of the country's budget. The government

agreed to reduce its spending to about 6 billion pounds. This policy by the Cameron government is referred to as austerity policy.

Austerity policy refers to measures a government takes in order to reduce its deficit, and they are in the form of reducing government spending. The government does this by reducing the money it spends in providing services to its citizens (Faulconbridge and Matt, 2). This also includes the benefits it pays to its civil service, and other groups within the country. For instance, in 2010, Chancellor of Exchequer, George Osborne came up with a review of government spending. The Chancellor estimated a cut of an approximate value of 81 billion pounds over the next four years.

This amounted to 19% of budget reduction in every department of the government. The government announced a seven billion pound reduction in welfare spending, and housing benefits. The government increased pension contribution of public sector employees, and a cut of 7% financial contributions to all local councils in England. The Office of the budget responsibility announced that these measures will lead to a loss of thousands of jobs.

These austerity policies faced resistance in England. The labor party is the main critic of these policies by David Cameron, and it suggests an increase of taxation to the rich, for purposes of reducing the deficits (Faulconbridge and Matt, 6). However, the David Cameron government opposes this move, and suggests a cut in the welfare spending of the state. Cameron removed taxes that generate money which is used to provide local services, and reduce the amount of money Britons pay on rail fair.

He faced criticism from the middle class people, but he justified this action by stating that it will prevent a cut in medical and school services. Due to the policies, the British economy is emerging out of recession. However, economists project a weak economy and uncertainty over its growth in the next coming years. The inflation rate is 2.7%, and therefore reduces the disposal income of the various households in Britain. However, this figure reduced by a margin of 2.5%, as compared to 2011. In 2011, inflation stood at 5.2%. In the corporate business environment, there are mixed results in terms of profitability (Faulconbridge and Matt, 6).

For instance Halfords corporations, a bicycle manufacturer reported a drop of 23% of its revenues, while Arcadia, a clothing retail company posted a profit of 25%. The British government is of the opinion that the economy is stabilizing, despite these figures (Flanders, 4). Basing on this, David Cameron is right in initiating the deficit-reducing strategies. This is because moving away from the strategy and increasing government borrowing will result to recession in future, and increase government debts (Flanders, 3). Increased borrowing will make the make the British economy to the vulnerable to the Eurozone crises, leading to recession. It is therefore better to initiate policies that will improve the economy, even if the short term consequence is not beneficial. In the long run, the economy will generate jobs, and the government will have enough money to improve the welfare of its citizens.