important that, in the medium term, national debt as a proportion of GDP returns to a declining path". [GO/004, INQ000142245].

26. Reducing the deficit and placing debt as a percentage of GDP on a downward path was also essential to rebuild fiscal space to provide scope to respond to future economic shocks. A responsible approach to repairing the UK's public finances following the financial crisis was essential. I have no doubt that taking those steps to repair the UK's public finances in the years following the financial crisis of 2008/09 had a material and positive effect on the UK's ability to respond to the Covid-19 pandemic. The most urgent task facing the UK economy, as stated in Budget 2010 [GO/005, INQ000142195], was therefore to implement an accelerated plan to reduce the deficit. Indeed, there was cross-party consensus on the need to reduce the deficit following the financial crisis.

The government's macroeconomic strategy 2010-2016

27. Faced with high budget and current account deficits, macroeconomic strategy throughout the period was characterised by tight fiscal policy and loose monetary policy. The 2010 Budget set out a plan to give effect to this strategy and rebuild the UK economy.

28. While fiscal policy was tightened to restore macroeconomic credibility, monetary policy stayed historically loose to pick up the slack in the economy. Accommodative monetary policy took the form of multiple rounds of Quantitative Easing and a historically low bank rate of 0.5% from 2009-2016. Although the Bank of England ("the Bank") did not use negative rates after first using Quantitative Easing in 2009, it did perform another two rounds of Quantitative Easing so that it could meet its primary objective of price stability. After inflation remained above target for three-years, the Bank's objective of price stability was met in 2013 when it returned to 2%.

29. Using lessons learnt from the financial crisis, the Macroeconomic framework was also changed regarding financial stability. After the 2008 financial crisis exposed gaps in the UK's oversight of the financial system as a whole, the Financial Services Act ("FSA") 2012 created a new regulatory framework for financial services in the UK and established a range of oversight measures, including establishing the Bank of England's Financial Policy Committee ("FPC"). The FPC was tasked with identifying and monitoring systemic risks to the financial sector, complementing the firm-specific regulation undertaken by the Prudential Regulation Authority and Financial Conduct Authority (also provided for by the