

## Spending is the only way out

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This letter was in the Guardian today:

*Larry Elliott apparent endorsement of budget rebalancing by raising VAT to 20% is curious indeed coming from an economist with a social conscience ([All Osborne has to do now is come up with another £70bn](#), 7 October). A rise in VAT from 17.5% (where it will soon return) to 20% would raise £11bn, but so too would uncapping national insurance so it is paid all the way up the scale at 11%, the weight of which would fall almost exclusively on the richest decile. Indeed, if revenue-raising measures are needed, how about cracking down on tax avoidance and evasion? These are variously estimated by official sources to cost the Treasury between £25bn and £70bn annually.*

But what is particularly galling is that Elliott seems to agree that the "structural deficit" is £80bn, and that it needs to be "put right" by whoever is the next chancellor. Balancing the budget will not fix the economy — indeed, Britain's output gap is currently £80bn and rising while investment is still falling. So poor are the forecasts for UK growth in the medium term that attempting to achieve balance over the next parliament will almost certainly send us back into recession.

A more sensible remedy would be based on two simple principles. First, government must become investor of the last resort — financing a major programme for "greening" Britain's infrastructure is a good place to start. Secondly, inflation today is desirable, and printing money — [quantitative easing](#) — is the right means of achieving it. Inflation of only 3% over a generation would reduce Britain's public debt by half.

Professor George Irvin

Plenty of conflicts of interest in here for me: Larry is a co-author of the Green New Deal, George a co-author with me of a forthcoming paper for Compass.

I'm with George here.

To argue that we should balance the budget now makes no sense at all. To argue we do so with VAT is regressive and an abuse on the poorest in our economy — the last who

need to pay for banker's folly. To invest in green infrastructure is the way forward. And inflation at 3% is entirely manageable — and the basis of the asset based prosperity of most now in retirement in the UK, in which case to argue it would harm pensioners is ludicrous: most who would lose (as some would) could not be in their current position of wealth without untaxed inflationary gains having given them their property worth, a worth that now needs to be passed on to the next generation.