

On Compass, on cuts

Published: January 14, 2026, 3:57 pm

I wrote the following [blog for Compass](#) this afternoon:

The government has announced the first round of cuts in government spending. At just over £6bn they represent just 0.8% of total forecast state spending this year, and by themselves are insignificant to the economy as a whole.

Any government could make savings of this amount as part of regular spending reviews on an ongoing basis and they would not be noticed. Their significance is not, therefore, their amount, but what they represent.

Their significance is in the hype that surrounds them and the underlying political message associated with that messaging. The message is twofold: first that the state is too big and is to be cut in size irrespective of the economic consequence of doing so. Second, the government has decided that at a time of mass unemployment it will add to the number of unemployed.

These need to be considered in turn. The UK economy is barely out of recession; it could tip back into recession. There is simple reason for that: there is a shortage of aggregate demand in the economy.

People are not spending enough to keep the UK workforce in employment, and nor are people in our overseas markets, most of whom face problems bigger than our own as the Euro crisis spreads. The consequence is the private sector has put investment plans on hold and is sitting on piles of cash instead. Unemployment is high, and there is no indication that private sector demand will at any time in the near future change that situation.

In that case - as Keynes had once to point out and as his successors have to repeat time and time again - the only source of increased aggregate demand in the economy that will begin the process of restoring the economy to good health is the government. In the process additional revenues will be generated which will close much of the UK government deficit. And that is the exact opposite of what this government is going to

do.

It plans to cut spending now, and (it is strongly suggested) will increase taxes like VAT soon. Both acts remove demand from the economy. The likelihood of double dip recession increases massively as a result.

In the face of that the decision to cut government employment is not a decision to get rid of the so-called 'non-jobs' Daily Mail commentators often claim exist in government: it is instead a decision to create the ultimate and only categorically certain non-job, which is unemployment. Neoliberal fantasists still claim that if the government does at the same time as cutting its spending and increasing taxes on ordinary people in the UK did also cut taxes and regulation on business then new jobs would flow from the private sector. This belief in so called 'supply side' economics has been discredited worldwide: there is no evidence it works. Here in the UK though we now have a government that believes in this fantasy.

So the real question is this: how long is it before real people without real jobs realise that this is not an economic reality they're being presented with, but a work of wishful thinking presented by a bunch of fantasists dedicated to the destruction of state services in the UK?

I suspect the answer is not long. I suggest 18 months at most. That will be when this coalition will collapse - and that is when those with strong, evidence based, economic policies must be ready to promote them in the interests of all people in the UK. But for that to happen the messaging must begin now. There is, as was once rather famously said, no time to lose; at least not if we're not to lose too many jobs in the meantime.