

An exercise in economic ineptitude

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[Paul Collier is a controversial economist](#), not much liked in development circles although his book 'The Bottom Billion' was well read. He is a poor communicator at best, and seemingly courts controversy always, tinged on many occasions with a nit of patronising insult.

I've met him on several occasions.

I've never greatly warmed to him, and I'm aware I'm from being alone.

But [his offering in the FT this morning](#) goes beyond the usual controversial style he likes to adopt. It's just inept:

Now bring the two design features together. A stimulus package can avoid increasing the risk of a crisis of confidence if it combines a cut in highly popular recurrent expenditures with a larger increase in those investments that generate only modest political support. The more politically toxic are the chosen cuts in recurrent spending, and the less attractive are investments, the larger can the net stimulus to aggregate demand be for each pound of spending reductions. In effect, the government should cut the budget for the royal wedding of Prince William in April and sack nurses, while building motorways and nuclear power stations. Economic infrastructure should take precedence over social infrastructure, not only because it is less popular, but because the future return in tax revenues is likely to be larger: indeed the recent surge in social infrastructure worsened the prospective fiscal position by creating commitments to recurrent spending. Now is the ideal time for Britain to address its appalling deficit in economic infrastructure: low interest rates and a construction slump will minimise its cost.

Whereas a "Plan B" would require a fundamental reversal of government policy, the proposed package is consistent with existing government priorities. It is a supplement, not a reversal: a Plan A+. It would work by combining three vital properties. It would increase aggregate demand, and hence constitute a stimulus: we cannot tell whether such a stimulus is needed to avert a double-dip recession, but it would be an

acceptable insurance policy. It would be politically costly: this would signal a deepening of resolve rather than a weakening. And it would improve the government balance sheet, and so keep Britain clear of the road to insolvency.

There are many occasions when I mutter a quite prayer that we be saved from economists. On this occasion my response was not quiet.

I've rarely read something quite so politically inept. I wanted to read it as ironic. But I fear it isn't. In that case I'm amazed the FT published it, but then you have to remember the power of the brand 'Oxford'. It has a lot to answer for.