

Osborne's got it all wrong, as Ireland proves time after...

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As [the Telegraph reports](#):

Moody's has downgraded Ireland's debt rating, citing "weaker economic growth prospects" and "uncertainty" created by EU solvency tests.

Ireland's sovereign debt rating has been reduced two notches to Baa3 with the outlook negative and Moody's warned harsher austerity measures may be needed.

Comments It said the country's austerity plan is weakening government finances and it may suffer further as a result of interest rate increases by the European Central Bank. Ireland's sovereign debt rating has been reduced two notches to Baa3 with the outlook negative and Moody's warned harsher austerity measures may be needed to restore the economy.

There are numerous aspects of this story that are revealing.

First, the ratings agencies, despite being amongst the principle (and unprincipled) architects of the crash, are still considered important although they are entirely unrepentant and unreformed. Their word still carries clout, and you have to ask why?

Second, as primary cheer leaders for the bond vigilantes it is clear that the rating agencies are entirely unimpressed by austerity measures, cutting, inflicting pain on populations who bore no responsibility for the debt they're being forced to repay, and for bail outs. Ireland has done everything markets have demanded and that has failed it badly in the eyes of the market. We have to conclude the market is irrational, and rating agencies with it.

Third, given the IMF and EU bail outs, this is a massive slap in the face from the rating agencies for the IMF and EU - they're saying they don't believe they'll stand by the deal.

Fourth, and alternatively, it says the whole narrative put forward by the right is wrong. It clearly has not saved Ireland. It clearly does not impress the markets. That's a double whammy of failure.

What we need is a policy for growth - that's what the markets want.

That's a policy for spending to get people back to work.

With tax raised and benefits saved this is an incredibly cheap thing for governments to do right now. It isn't when there's full employment. But that's just a dream at the moment. So spending our way out of recession is the way forward.

Selectively, of course.

On investment in new transport that's green (and yes, that does include coaches, which I believe in).

And social housing.

And thermal efficiency.

And schools. And hospitals, Without either being burdened by the curse of PFI.

The private sector has no idea what to do with its money. It's time for a confident public sector to take the lead and deliver the path to growth through innovative public spending.

Osborne's got it all wrong in other words.

For a summary, [read this.](#)