

Sam Brittan - offering a Keynesian solution

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Samuel Brittan [has written in the FT today](#), saying:

The shock [rise in UK unemployment](#) in October cannot be dismissed by the usual warnings about not going by one month's figures. The size of the jump may be exceptionally large, but it marks an accentuation of a trend that has been evident since April. Previously surprise had been expressed at how modest an effect the sluggishness of the economy had had on unemployment. That surprise is rapidly disappearing.

He's right. And this is his suggested economic policy:

Five simple steps could be taken to facilitate such an increase. First, the Bank of England should announce immediately the [extra quantitative easing](#) at which it is already hinting, but widen its asset purchases beyond the conventional gilts. Second, having sold off Northern Rock, the Treasury should retain its other bank holdings as a basis for a state lending bank for small and medium- sized enterprises. Third, the government should give in to political pressure and postpone indefinitely the increase in petrol duties due in 2012. Fourth, it could introduce a temporary cut in value added tax. Fifth, and most heretically, there should be an anti-savings drive.

I agree we need more QE. I'd prefer it was Green QE, but we need it.

I agree we need a state lending bank.

I'm not sure on petrol duties: I'm green. I think there are better taxes to cut, but that moves me straight to VAT cuts, where 15% makes sense right now - as Alistair Darling did.

And let's look at the fifth idea, because that is fascinating.

What Brittan is saying is that the paradox of thrift is in play - people are saving far too much, and companies too. Since exports are also affected we're ending up with recession. I agree we need to spend more, but not on consumption for the sake of it.

The Green New Deal suggests we create a 'carbon army' to insulate Britain and install solar and other alternative energy. This is spending now to deliver a long term difference. That's what we really need. And yes, I do have solar panels on my roof and even today they're generating nicely (plenty enough to power the house where I'm working and be sending into the grid right now).

Ed Balls also had this idea in suggesting cuts in VAT on house improvements. That's also completely logical.

So let's not have it said there is no alternative to what Osborne is condemning us to and on false premises. As Brittan also says:

Of course, Britain's problems are aggravated by the world, and particularly the European situation. But the UK is part of the world and its government has worsened matters by throwing its weight behind a restrictionist approach. Now it is urging on the eurozone a fiscal union of which it wishes to form no part. No wonder French and German leaders occasionally allow their irritation to emerge.

Quite so. The UK's problems right now were made by Osborne and the solution has to start here too. No excuses. Just get on with it George - or accept the consequences.