

IMF tells UK government to start spending hard, now

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The IMF's policy blog on the UK, published this afternoon has three policy recommendations. In many ways the third is the most obscurely worded and the easiest to interpret. [They say](#) (and I've edited out chunks):

Third, slowing the pace of fiscal tightening would be the main policy lever to support demand if growth does not pick up sufficiently even after monetary stimulus and strong credit easing measures have been given time to work. The government's reduction of deficits over the last two years has created the space for recalibrating fiscal policy, if needed.

To put it another way, for heaven's sake stop the austerity programme now is the IMF's message.

Or as they put it:

Delaying fiscal consolidation could yield gains

Like saving lives, ending despair and offering people hope. More than that though, as they continue saying:

Our [analysis](#), which extends recent influential work by [DeLong and Summers](#), suggests that delaying fiscal consolidation can generate permanent gains if fiscal tightening has a larger negative effect on output during a period of negative or weak growth.

In other words they're saying the Tories are not just making mistakes now, they're being systemically wanton with their policies and are causing irreparable damage. Or as they put it:

In a nutshell, the priority for U.K. policymakers is to implement more expansionary economic policies.

[Some of us have been saying this since July 2008](#). But what the heck? At least

the IMF has now caught up. And as they say:

Without such policies, the [UK government] risk weak demand that leads to persistently slow growth and high unemployment, which in turn will affect decisions made by consumers and investors, and permanently damage the long-run capacity of the U.K. economy.

Oh boy. I wish they'd said that in 2010. But better late than never I guess.