

When will Labour learn that neoliberalism will never wo...

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There's a very bizarre article in the [Guardian from John Harris this morning](#), looking very like something that's been fed to him from the Labour policy review. If it is, it's very worrying.

First there's a ritual slagging off of those who argue that spending is the way out of recession:

From the centre of Labour's ideological continuum leftwards, there is currently an apparent belief that the party can somehow capture power in two years' time, roll back the worst of the coalition's cuts, dig out some old A-level notes about Keynesian demand management — and spend, spend, spend.

That's not just patronising. It's just wrong. Maybe John Harris thinks he knows more about economics than Krugman, Blanchflower, Chang, Stiglitz, et al, but I strongly suspect he does not. The reality is that there is now only one way out of recession, and that is to spend more. Being rude about those who say so is not just bizarre, it's misplaced when he goes on to say:

The party will need a clear-cut, demand-driven growth plan, based on a housebuilding blitz in particular.

That's precisely what those he's just criticised are saying.

But in between the two comments he then pays homage to the confidence fairy:

Even if you managed to do [the spending], reality would then bite, agonisingly, and the fiscal predicament of the next UK government will be grim beyond words.

John Harris should note there is no confidence fairy: that's why borrowing rates for government are so incredibly low despite record borrowing. And that won't be changing any time soon.

But apparently, and despite this, Labour wants to offer a sacrifice at the confidence

fairy's altar:

If Labour is to win the next election, it will have to commit to a set of iron, independently enforced fiscal commitments, perhaps to be met over a 10-year cycle, focused not just on the elimination of the deficit, but the ratio of public debt to national income — many of the consequences of which, to quote one Labour insider, could be "brutal".

This is so absurd it is incredible. First, there is no need to eliminate a deficit. That's wholly unnecessary. It's perfectly acceptable to run a deficit - and to not one at the rate of inflation actually denies the market the gilts it needs to underpin products like pensions. Second, this implies Labour will act pro-cyclically i.e. it will spend less when there is recession and more when there is boom - so guaranteeing bust or boom. Has Labour learned nothing? And third, hasn't Labour realised the whole crisis in Europe is because of artificially imposed rules that do not recognise economic reality? That is why countries are in crisis, the young are seeing their chance of employment disappearing in many countries and we now face a lost generation? Do they really want to go down the same path of creating a noose to hang themselves and the economy with? Finally - note the anti-democratic 'independent' bit which is, of course, a sop to 'those wise bankers know best, you know', which is the culture that still prevails in far too much of Labour as well as being coce for "There is no alternative" (how Thatcher would laugh).

After that the article just sinks into the sort of thing I expect to read from Policy Exchange.

If this is where Labour (and it implies, Compass) are going then we're in very, very deep trouble and the case for a new party on the left is being made as I write because as it stands if John Harris has got the message right then we have every reason to despair at the incoherence and plain neoliberal absurdness of its thinking.