

Austerity has failed: Martin Wolf's view of the economy...

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[Martin Wolf has written for the New York Review of Books](#), saying:

Austerity has failed. It turned a nascent recovery into stagnation. That imposes huge and unnecessary costs, not just in the short run, but also in the long term: the costs of investments unmade, of businesses not started, of skills atrophied, and of hopes destroyed.

What is being done here in the UK and also in much of the eurozone is worse than a crime, it is a blunder. If policymakers listened to the arguments put forward by our opponents, the picture, already dark, would become still darker.

And he concludes:

We on this side of the argument, are certainly not stating that premature austerity is the only reason for weak economies: the financial crisis, the subsequent end of the era of easy credit, and the adverse shocks are crucial. But austerity has made it far more difficult than it needed to be to deal with these shocks.

The right approach to a crisis of this kind is to use everything: policies that strengthen the banking system; policies that increase private sector incentives to invest; expansionary monetary policies; and, last but not least, the government's capacity to borrow and spend.

Failing to do this, in the UK, or failing to make this possible, in the eurozone, has helped cause a lamentably weak recovery that is very likely to leave long-lasting scars. It was a huge mistake. It is not too late to change course.

Will Mark Carney in his first letter to the Chancellor say?:

Dear George

Austerity has failed.

Monetary policy no longer works. Please provide a fiscal stimulus as that is what is needed and I cannot.

Kind Regards

Mark

I wish he would. I'm not holding my breath.