

## The Economist reporting misinformation and fairy tales

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The Economist [has published an article](#) under the title:

*Too good to be true*

That's their description of Corbynomics (although, only after they praise its motives). To reach their conclusions they say:

*The £120 billion in missing tax revenues—which is about four times the government’s own estimate—comes from a report by Tax Research, a pressure group. Even if the figure is to be believed—which requires a leap of faith, since the report does not explain its calculations fully—Mr Corbyn’s proposed remedies are wanting. Britain already has one of the smallest shadow economies in the rich world; stopping cash-in-hand payments entirely is impossible (and even if it were not, the extra tax burden would crush some of the economic activity that generates this untaxed income). The Corbyn manifesto vaguely pledges “a proper anti-avoidance rule”.*

I think they should [read my report on this issue](#), which explains where every figure comes from, and a wide range of solutions. To be blunt, The Economist made its claims up. And that's the kindest thing I can say about their claims.

Next they say:

*If the plan to boost investment through reform of the tax system is half-baked, another of Mr Corbyn’s ideas is dangerous. He promises “people’s quantitative easing”, a radical twist on a policy that the Bank of England has pursued since 2009. Instead of using newly created money to buy government bonds, as happens under ordinary QE, Mr Corbyn seems to want the Bank of England to use that cash for more productive purposes, by buying bonds from the national investment bank.*

That's really dangerous isn't it? Building homes is, after all, much more dangerous than bailing out bankers, isn't it?

But they say:

*In the short term people's QE might gee up economic activity without increasing the stock of government debt—currently 80% of GDP—since the Bank of England could write off the bonds it had bought.*

True, except they add:

*But it is a risky proposal. At present the bank looks unlikely to embark on a fresh round of QE (instead it is mulling monetary tightening). If Prime Minister Corbyn were to rely on QE to fund public investment, he might be tempted to cajole the bank into prescribing more of it. At the mercy of politicians, the bank would lose its credibility, and confidence would drain from the economy, forcing interest rates up and crimping investment—again, just the opposite of what was intended.*

So, we're back to three myths.

The first is that the economy is now set to grow forever. Maybe they did not notice economic turmoil this week.

Second is belief in what Paul Krugman calls the confidence fairy who drives the bond vigilantes. Which belief has always proved to be utter nonsense.

And the third is the belief that the Bank of England is independent and never has a politician had a word to say to it. That frankly leads one to think tThe Economist lacks any capacity for basic observation, let alone economic reasoning. It's also just wrong, [as I have shown](#).

So what we actually have is The Economist reporting misinformation and fairy tales.

Is that the best they can do?