

## Why Larry Elliott missed the point

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My friend and occasional Green New Deal colleague Larry Elliott has an article in the Guardian today [in which he says](#):

*Jeremy Corbyn has the vision, but his numbers don't yet add up*

Given Larry's discussing economics I could, I guess respond by saying 'thanks on the vision bit because that's good news more than four years away from an election, and that precisely explains why the numbers don't stack yet. Why would you expect them to?'

But, that would be a cop out. So let me address the issues Larry has raised, starting with this:

*Corbyn's success is not just that he articulates a more robust case against austerity than his three rivals. It is that he speaks to those who don't accept that the economic revolution prosecuted by the right in the 1980s is set in stone.*

In itself that is staggering: that non-acceptance has not been heard on a mainstream stage for a long time. But, Larry thinks the devil is in the detail. And there he says

*Clouds are massing over the global economy and if the storm breaks, Corbynomics would fit the bill perfectly because the lesson of the recession of 2008-09 is that, in a crisis, anything goes. The unorthodox becomes orthodox.*

I have said, and the FT and others have reported that I have said, that I do not think we will survive the next four years without major economic crisis (or at least a serious downturn) and statistically it would be astonishing if we did not. To go from 2008 to 2020 without such an event would, in the neoliberal era, be unprecedented: it has them hard wired into its design. But Larry, like so many others, ignores this and the absurd assumptions that George Osborne has had to make to suggest that this will not happen and says instead:

*Should the next crisis of global capitalism be delayed (or not happen at all), Corbyn will*

*have more of a problem.*

Let's start with the big problem which is that if George Osborne really delivers a land of milk and honey for the middle classes of the South East of England then no Labour leader is going to be elected, whatever they say. I have to be realistic on that one. They will, of course, fight the election in the hope of winning, and strange things happen (as in 2015, which was an electoral aberration) but I have to be realistic.

Larry, though, seems to think Jeremy Corbyn is already on the February 2020 stump and says:

*[Corbyn] didn't expect to be Labour leader and it shows from his economic prospectus, which looks like something hastily put together. It is a long way from being the finished article, as demonstrated by the fact that most of the eye-grabbing policies are merely "options".*

I have heard Jeremy Corbyn speak twice in the last three weeks. Both times he has said the policy proposals he is putting out are first steps: green papers if you like, and the basis for discussion, not matters to be considered cast in stone. So Larry is right, but also wrong not to note that is what Corbyn is saying.

As he notes:

*One option is people's quantitative easing — printing money to fund housing, reindustrialisation or the green economy — but it is not clear whether this should be kept in reserve for emergencies or used whatever the state of demand.*

He continues:

*The case for people's QE as a contingency measure when conventional policies such as cutting interest rates have ceased to be effective is simple: **the state would step in to make good a deficiency in private sector demand by investing in infrastructure projects when all else has failed.***

I highlight the bit in bold deliberately. It is why the next section of what Larry wrote is wrong:

*The case for people's QE as an everyday tool when the economy is chugging along at around its long-term trend rate, which it is at the moment, is weaker. If Corbyn wants higher public investment — an entirely legitimate aim — he should have the courage of his Keynesian convictions and say that he would pay for it through higher borrowing, something that can currently be done at historically low costs.*

Why is Larry wrong on this? Three reasons. First, as Larry well knows there is a debt narrative that is not going to go away right now, much as I would wish it did. He also knows that PFI is still used because of that narrative. PQE blows PFI away, forever.

Second, PQE is simply cheaper than borrowing at present, and can remain so: the Bank of England can declare that it is paying zero per cent interest on the reserves created by PQE if it wishes. Why pay for the more expensive option? That is an issue no one seems to want to address.

And third, Larry assumes that the job of the state is to fill in the gaps left by the private sector. I don't do that. I don't think Jeremy Corbyn does. I think that the state can and should sometimes say that private sector growth may not be all it's cracked up to be. It's good, but it's not omnipotent. So, because a few might drive CPI higher the fact that most cannot access housing is not, for example, a reason not to build housing. It can, and should be a reason why the state should be building the housing that is needed and at the same time taxing, if need be, those activities that need to have the wind taken out of them to make sure that the economy remains in balance. If the same logic is not applied we would not, ever, for example, get the green energy reforms we need.

The point is, what seems to me to be an obvious one, but which is little said. The state does not just need a progressive tax policy (although it is woefully short of one of those right now). It also needs a progressive policy on economic intervention. So, just as progressive tax by definition does not accept the market's allocation of income and wealth nor should a progressive government accept that the market is the sole arbiter of what is good economic activity with the state being left to simply pick up the pieces that it cannot be bothered to do. For very good reasons the state has to intervene on occasion to get things done. If in doing so it risks injecting too much cash into the economy it has to tax it out again to rebalance the books. The reality is that progressive economics is about much more than progressive taxation. Larry and others need to take note.

Larry makes other points, including the usual paranoia on Bank of England independence and inflation as well as the now standard misreading of Jeremy's statements on corporate welfare and the tax gap. I have dealt with them before: it is a shame Larry chose to make them.

The fact is that Jeremy Corbyn is ready for the debate to come as far as I can see. Fuelling misinformation and misunderstanding, as Larry did, suggests the Guardian is not so well prepared. And that is a shame.