

# Reframing the instruments of economic governance

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I did not manage to write after John McDonnell's speech yesterday. A book launch, interviews and recording for BBC1 news, Sky, Newsnight (although I don't think they used it) was a little distracting. And a night's sleep has helped add perspective. Several things stand out.

The first is the clear rejection of gesture politics. George Osborne can legislate for surpluses, as Alastair Darling rather unwisely did before him, and it makes it no more likely it will happen. The truth is John McDonnell knows the chance of George Osborne achieving a surplus is incredibly low, and he also knows that if he did do so that John will also get no real chance to be Chancellor as the Tories are likely to win. So planning on the possibility makes no sense at all, and he is not wasting time considering the possibility. The days of confrontational politics where alternatives are put forward are back, and from whatever part of UK politics you come that has to be good news. The consensus we have suffered has been stifling for democracy itself.

Second, there is a rejection of austerity. The alternative is growth, but based firmly on investing in our future. I hear already voices saying that people will need to be convinced this is possible. Of course it is possible: growth is what happens when you build homes people need, the IT infrastructure that is essential, the flood defences that will keep some key parts of the UK populated, and more. And when we have growth more people work, fewer claim benefits, pay increases (the type of inflation we need after decades when the reverse has been the case in real terms as a share of GDP) and so budgets tend to balance. It is a progression like night following day. Indeed, it is the only way to balance the budget in a modern state that accepts its obligations to its electorate.

Third, I heard the tax gap and related issues. It was all Sky wanted to talk about last night as if this was the basis on which the deficit would be closed: I refused to play Adam Boulton's game on that and he got very grumpy as a result. But it is important. It is vital that a level playing field for business be built where the tax cheats do not get an advantage. That will have to happen if the mixed economy is to survive. This agenda is the most pro-business agenda there is now.

Fourth I heard about the rebuilding of the instruments by which the government intervenes in the economy. This is very welcome and massively overdue. Bob Kerslake looking at the Treasury is an inspired move: a non-Treasury civil servant is the right choice to look at how the Treasury can be put in its proper place. It has been too dominant for far too long, populated by a peculiar breed of thinking that is akin to that of the small minded accountant who only knows what cuts they can deliver. The courageous and entrepreneurial state has to be set free. That is the aim.

It's the same with the Bank of England. No one is saying that the Bank of England need lose its independence if it has the right mandate, but giving it a remit based solely on inflation and suggesting its role is linked solely to monetary policy as if there is some total divide between that and fiscal policy is just wrong. The review has to be significant.

As it will be on HMRC where the questions to be asked stretch from top to bottom of the organisation, even if the top is where many of the problems seem to lie. It will need to be open-minded and welcoming of all suggestions and comments but as with the other reviews, the idea that current structures are sound has been firmly rejected.

And last I heard no new taxes on those not able to pay: progressive taxation is back. And we need it.

Faisal Islam of Sky put it to me yesterday that there was no policy in this speech. How wrong can anyone be? This was about rebuilding policy from the foundations up. It was not about silly tinkering or gestures. It was about fundamental change. Maybe some can't recall such thinking. Well, it's back.

If it had included the environment a little more it might have been better still. But it was a welcome step forward. The gaps will need to be filled, including on that vital issue, but for the first time for a long time it looks like change is possible.