

Steel could be the moment to rediscover economic logic,...

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Bill Keegan has been an economic commentator for longer than most. That does not mean he is worth reading. That's the case because what he writes is almost invariably worth the time expended. So it is in the case of [his article in the Observer this morning](#) which begins:

A record balance of payments deficit of £96.2bn (5.2% of GDP) for 2015, and £32.7bn (7% of GDP) for the fourth quarter alone — both higher in percentage terms than in any year since the second world war — and the first, instinctive reaction of the government is to let what is left of our steel industry go hang, so that imports can be boosted even further.

He is, rightly, repelled by such logic.

He is right to recall three other events when doing so: wartime, the 1970s economic crisis and 2008. In each case the point he makes is that economically the aftermath has proved as tough as the event (although I am not diminishing the impact of war here) and in the case of the 70s with the Thatcherite aftermath and now with Osboronmics, those impacts are wholly self inflicted and utterly unnecessary.

As he concludes, in that case:

Then [the 1975 EU referendum], as now, there was growing concern about the balance of payments and the pound. Then came the 1976 IMF crisis, and an attempt to stem a fall in the pound that had first, in the words of Sir Douglas Wass, Treasury permanent secretary at the time, “declined to fall” and then fallen too much.

The paradox now is that, patently absurd though the whole idea of Brexit is, fears about it have been unsettling the pound. Now we have the balance of payments crisis. I did not get where I am today forecasting exchange rates, but it is not inconceivable that circumstances are combining to bring the pound down to a more competitive level, and that, as in 1975-76, things could get completely out of hand.

If Bill Keegan is worried that's good enough reason for sharing the concern.