

John McDonnell is right: we do disagree on macroeconomics...

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John McDonnell was asked a question about me in the Commons yesterday. [This was his response](#):

He is not the economic adviser and never has been, because we doubted his judgment, unfortunately. He is a tax accountant, not an adviser. He is actually excellent on tax evasion and tax avoidance, but he leaves a lot to be desired on macroeconomic policy.

The result is he made three points.

The first was he praised my work in tax. Given how much he has relied on it he would have had difficulty saying otherwise.

Second, he said I was never an adviser to Labour, not that he or Jeremy Corbyn ever said that last summer when it seemed they left the whole issue of economics to me and Jeremy specifically asked me to speak about the subject at three of his rallies. And it's well known there was discussion of an appointment, but I decided I would rather be professor of practice in international political economy at City University instead, from where one of my close colleagues did sit on his advisory panel.

Third, he questions my macroeconomic judgement. And it is true, we disagreed.

I said he should not agree to a fiscal charter promising a balanced budget which is wholly economically unnecessary and even destructive. But he did.

I also argued against the fundamentally neoliberal concept of an independent central bank that takes control of key aspects of economic management out of democratic control and which was Ed Balls idea. But John bought into it.

And as a result he backed off from People's QE : he was advised that a central bank cannot create money to help ordinary people, job creation or the building of social housing. Instead John accepted that central banks can only use that power for the sake of saving bankers.

So sure we disagreed, but precisely because he was all too willing to accept conventional neoliberal thinking and I was not.

So if he's doubting my judgement because he thinks I was too left wing for his comfort I am happy to accept that reasoning on his part: I think it's true. The great disappointment about John McDonnell is he won't be the radical shadow chancellor we need. If he was and if his macroeconomic thinking was clearer then he would have landed more punches yesterday: instead he fought his whole battle on the government's territory, which is always a mistake.

Oddly this was pointed out in the house in the same debate, when SNP MP Angus McNeil said to him:

The hon. Gentleman is hinting at what we hope will be a change of direction for the Government. For far too long, the Government have concentrated more on achieving a balanced budget than on managing the economy. They have not been creating demand. They should have been listening to the likes of Paul Krugman, Joseph Stiglitz and Richard Murphy, all of whom have been giving the Government a map to follow for years. The fact that they have failed to follow it explains why we are in this situation today.

It seems some still believe this alternative is possible. [I do](#). It's a shame that it's not at all clear that John McDonnell with his dedication to central bank control of the economy within the constraints of fiscal rules that refer to balanced budgets does.