

Funding the Future

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It is mildly ironic that I should, today, and [to engage in debate with James Meadway](#), who is, via John McDonnell, Jeremy Corbyn's chief economic adviser. The irony arises for at least three reasons.

First, exactly a year ago today a somewhat bemused support team to Jeremy Corbyn phoned me and asked that I go on the World at One to defend his economic policies which had, the day before, been dubbed Corbynomics by Chris Leslie, who was at the time the shadow chancellor. I agreed and unsurprisingly did a good job in team Corbyn's opinion: after all, much of that economic policy had been borrowed from this blog. For the rest of that month they let me continue in this role without any interference on their part.

It is secondly ironic because by the end of that month I been involved in three separate job discussions. The first was the result of my being head hunted to be the director of the New Economics Foundation, which would paradoxically have made me James Meadway's boss at that time. I decided that role was not for me and took the matter no further. The second offer was from John McDonnell, who wanted me to be his chief economics adviser. Matters got as far as discussing salaries. I was tempted until I understood what John really thought on issues like a fiscal rule. Then I walked away, as I have already recounted, but not before being told that James Meadway might be one of those who was being recruited to work for me. Third, I was offered the role of professor of practice in international political economy at City University, London. That one I took.*

In that case it was thirdly ironic to note James following the rather weak line John McDonnell line that suggests I am a just tax specialist [when writing about me today](#).

I might not have pointed that out but for the weakness of the reply James had to offer to the arguments I had made. There are in essence four of them. First, he says:

To be clear, Labour is now an anti-austerity party, opposed to the rundown and break-up of our public services. The Fiscal Credibility Rule is entirely compatible with that. Richard is wrong to claim otherwise. Likewise, [Owen Jones is wrong to claim that John McDonnell is offering Ed Balls' fiscal policy](#). He absolutely is not. He is opposed to

cuts.

I'm delighted to hear it, [but as I have pointed](#) out that is not helped by the fiscal rule we're meant to be discussing. It's just puff. I have no problem with that puff, but saying I'm wrong because John McDonnell says I'm wrong is not an argument. And as a matter of fact, any objective observer would agree this fiscal rule is remarkably similar to Ed Balls policy barring one thing, which is that:

in a critical innovation, it grants a licence to the Monetary Policy Committee to determine that when conventional monetary policy no longer operates properly (at the "lower bound"), the MPC can decide to suspend the Rule.

Since the lower bound has now existed for eight years, and is expected to continue for many more, what this really means is that there is no rule. It's all just puff, but in that case I really think John McDonnell should say he has a rule which does not apply in any currently foreseeable circumstance every time he mentions it, and he does not. Then I would not bother about it, and nor would anyone else, but John would look a bit silly.

Third there's this:

[T]he Rule does not result in a "commitment to running a current government surplus on occasion".

At this point I felt the whole argument was becoming surreal: here is a rule committing to a balanced current budget but it is not accepted that on occasion this will mean that current spending will be less than taxation. How is that? And yes, I do know the difference between current and investment spending before anyone jumps in and made that clear in my first response.

Then there followed meaningless and pedantic discussions on People's Quantitative Easing (I remember it well) and neoliberalism (I presume the intention is to imply I am one) before the conclusion:

Richard concludes by conceding the main point that some frameworkâ€”a rule, evenâ€”is required for fiscal policy. In this he is correct, particularly for a government seeking to transform how an economy operates. There are [tens of thousands of people](#) being brought together by Jeremy Corbyn's campaign to make that transformation happen. It is a shame Richard no longer wishes to be there with them.

I can assure James I would be happy to be right there with them barring one thing and that is that what they're being offered is one of three things. It's either not true, because the supposed rule is never intended to work. Or it's a misrepresentation, because it does actually require tax revenue to be greater than current government spending at some time, and I call that an austerity measure. Or it's a policy which [as I have shown](#) will make the wealthier better off, as has been the pattern in the last decade or so. But whichever it is that's not competent left of centre policy. And that's

the problem.

If James would like to suggest a competent rule - [and I suggested one yesterday](#) - then I would be more than happy to support it, but this one is laden with problems.

And I'll say so if anyone else adopts it as well.

** I also mention this because I have been told by several people in the media that the Corbyn press team are briefing that I am miffed that I was not offered a job and that's just not true: I was and turned it down by very deliberately walking away.*