

Random acts of austerity

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Philip Hammond has said that pragmatism has required that he abandon George Osborne's policy of seeking to balance the budget. He is right: since as a matter of fact no Chancellor is really capable of controlling their government's deficit or surplus ([for reasons I note here](#)) it is pragmatic to stop saying you will try to do so.

The trouble is he lacks conviction. Like Osborne before him Hammond clearly lacks anything approaching an understanding of the macroeconomy. That is obvious because he says we should aim for a budget surplus. This is economic madness unless a government wishes to destroy wealth, reduce the available money supply, deny markets the debt they need, reduce investment and cause social harm. As [I have argued before](#), surpluses are the last thing we need. But that is still what Philip Hammond wants, although he does not know when.

What does this mean then? I suggest the result will be that we get random acts of austerity mixed in with looser fiscal policy. Let's just imagine the consequences. Looser fiscal policy might involve investment in Tory constituencies. And business tax cuts. And big business friendly projects. Whilst random acts of austerity will mean more social security cuts, rationing for the NHS via targeting of the vulnerable and effective education cuts for those who really need support.

Or to put it another way, this new policy, because it claims to embrace austerity whilst permitting fiscal freedom panders to every whim of every Tory minister in ways that could be disastrous for social cohesion. In which case this is not sound economic policy. Nor is it the social policy that is required in a torn society. This is just very bad politics.