

## The devil's in the assumptions

Published: January 13, 2026, 4:30 am

---

The FT's Lombard column [says this morning](#) that:

*[A] government with a £55bn budget deficit cannot afford to fund a New Deal.*

There are moments when I despair. As I said to a school audience yesterday, when you think something is wrong, check the assumptions.

The assumptions here are that:

- \* A government running a deficit is like a company running a loss when it isn't
- \* A government cannot print money
- \* Money is all that matters
- \* A savings glut that is actively seeking to buy bonds can be ignored
- \* A country with spare capacity and a crying need for investment cannot afford it because the government must not print money to pay for it
- \* Strong fiscal multipliers on investment can be ignored when assessing affordability.

The claim is not just wrong. It is absurd.

But as the sixth formers asked me, why isn't Labour saying this?

And I had to say that I had to make these assumptions:

- \* They don't know this
- \* They don't believe this
- \* They're too frightened to say this
- \* They have no one who knows it well enough to say it with confidence
- \* They don't want the investment after all.

I don't know the answer to that.

But I am right on the first list.