

The public finances are a mess, but we can afford a fis...

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The [FT reports this morning](#) that:

Philip Hammond will admit to the largest deterioration in British public finances since 2011 in [next week's Autumn Statement](#) when the official forecast will show the UK faces a £100bn bill for Brexit within five years.

George Osborne will be smiling on the back benches. And it could be argued that the Treasury 'would say that, wouldn't they?' given their pre-Brexit forecasts. The counter argument is obvious: just about every economist (including me, for what it's worth) would agree that losses of this magnitude (or more, given we now have Trump to contend with as well) are likely.

The days of balanced budgets are, as a result, even more remote than ever, not that we need worry unduly about that. What is more worrying is this FT comment:

There will not be much room in the public finances to reset fiscal policy with a big stimulus package.

This is simply untrue. We are doing £60 billion of QE this year. It's the wrong sort of QE. If [People's or Green QE](#) was done instead all the funding required would be available, and there is substantial evidence that this pays for itself if invested into infrastructure by so boosting economic activity that tax can be recovered from the additional output generated to very rapidly cover the borrowing. It is dogma alone in that case that will prevent [the investment in infrastructure this country so desperately needs](#).