Funding the Future

We need deficits right now: Philip Hammond needs to say...

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The Guardian, and others, highlight an Institute for Fiscal Studies report this morning. Their headline is:

£25bn hole will limit Philip Hammond's options in autumn statement, says IFS

I wrote in 2013 about why our economy did not need the government to run a surplus. I would argue, very strongly, that nothing has changed since then: at a time when the economy is suffering external shocks resulting from Brexit the last thing we need is that the government withdraw funds from people's pockets and seek to deflate economic activity, but that is exactly what running a budget surplus means would happen.

In that case the whole tenor of the reports that the Guardian and others are writing are wrong. The fact is that if Philip Hammond cannot run a surplus that is not by choice (as I have explained here) but by necessity as a result of the decisions made by others. So, we should not be worried that there will be no surplus: we need Philip Hammond to be planning deficits sufficient to stimulate the economy and the media needs to be saying so.