

The only economic discussion the Left needs is how to d...

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I have [already suggested](#) this morning that the Left needs a better quality of economic debate. Something that moves us on from dependence on monetary policy, austerity, balanced budgets, independent central banks and all the related nonsense that has torn this country to shreds in the last decade, I suggest.

So, lets imagine why the Left needs something different, and what the circumstances might be when it has to deliver on any such policy. This is important. Because let's be clear, if the next election happens when Brexit has occurred, the economy is humming, the books are balanced, all is going well and people feel good about their prospects Labour is not going to win power. Let's not pretend otherwise: if austerity and Brexit deliver in combination the Tories will take the next election with a big majority.

What are the chances of that? Close to zero, in my opinion. And not just me. I'll quote from Larry Elliott (an occasional co-author of mine) in the [Guardian yesterday](#):

During the winter of 2008-09, trade and industrial production were collapsing more quickly than they had during the Great Depression. Now imagine if something similar were to happen again. It is not the likeliest of outcomes but not all that far-fetched either. China's debt; Brexit; a global trade conflict: any of them could blow up into something serious. These sort of events form the basis of the war games that policy makers play from time to time.

I am not as optimistic as Larry: these may not be the causes of the next downturn. But there will be one. And those three things, plus a great many other toxins now in the mix, could make it grisly.

I will be candid, no fiscal rule is going to be of any consequence then. As Larry puts it:

So what options are there? Initially, the response will be more of the same: monetary and fiscal policy will be eased to the extent that it can be. But if that does not work, more radical ideas will be canvassed, including reducing the size of the state; negative interest rates; a more targeted form of QE to fund infrastructure; and tax cuts financed

by the printing of money.

Larry does, I think, reference that version of QE deliberately. He is well aware that three years ago [this month](#) Jeremy Corbyn was campaigning to be Labour Party leader using my idea of People's QE, and was asking me to join him on platforms to talk about it. I had to explain to the likes of the FT at the time that such a policy was not for use in 'normal times' but would be reserved for emergencies. Corbyn and his advisers did not get that then. Since then they've assumed that the crisis in right wing thinking that will bring them to power will not happen, and so have abandoned the idea altogether, forgetting just what it (and the modern monetary theory logic behind it) did to help get him into office in the first place.

But they're wrong to do so. And they're wrong to plan for 'normal'. Because Labour is not going to face anything that looks remotely like being normal. It will inherit the most almighty mess. And then some pretty radical thinking is actually going to be needed. I quote Larry, again:

[B]ack in August 2008 the Bank of England thought growth would be flat over the coming year if interest rates were kept at 5%. There was no suggestion that six months later interest rates would be 0.5%, QE unveiled and an emergency VAT cut announced. The lesson of 2008 is that in a crisis the impossible can become possible very quickly.

Quite so. In which case let's stop discussion of fiscal rules that are never going to be used.

Let's start talking, at least in informed left of centre economic debate, about what tools are going to be required to deal with the crisis to come.

And start having an explanation of why we can borrow.

And how we will create employment despite a down turn.

And how we will constrain financial markets if they demand austerity.

And how we will not tax people to supposedly pay for enhanced services when that is the least thing the economy will need.

And how the national accounts will be reported so that they do not suggest that there is national debt that does not exist.

And how to actually use QE on things that matter, like a Green New Deal.

And how, even, to explain that national debt is a lot better than people being overloaded with private debt.

And so on, and on.

This is what needs to happen now. Politically and economically this is what makes sense for the Left. Nothing else does. So might we get on with it, please, and stop wasting time with other nonsense?