

No budget is likely to be so wrong

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I was asked for comment by quite a lot of organisation on yesterday's budget. Knowing that I would not actually be watching it I wrote this comment on the Copenhagen metro before Hammond had spoken. I happen to think it was pretty appropriate even with hindsight, and so share it here:

The critical issues about today's budget are not the detail, although some of them are superficially welcome, but the overall message. There are four such messages, I suggest.

The first is that the Tories really have realised austerity has to end if they are to have any future electoral hopes. The impression is that balanced budgets might still matter, but that is a vain attempt to retain Tory credibility. The reality is that spend is now, rightly, getting priority.

The second message is that other major parties - and most especially Labour and the SNP - need to take note of this. They have built their policies on the basis of mimicking Tory austerity. It really is time that they let go of the shackles.

Third, rather depressingly, the whole narrative that the government spends taxpayer's money does, unfortunately, remain in place. This is not true. The government spends money it creates through the Bank of England into the economy which it then reclaims to the extent necessary to control inflation. The dishonesty about this at the heart of government and in our politics is deeply depressing: we are still managing the economy on the basis of myths created in the era of the gold standard. It is essential we move on and build an economics and an economy fit for the twenty first century.

Last, this whole budget could, and probably will be, blown apart by Brexit. No budget since 2008 is likely to be so wrong. As a footnote in history this budget will only feature for the sheer magnitude of the forecasting errors likely to be inherent within it.