

Twenty years of neoliberal failure

Published: January 13, 2026, 6:55 pm

Martin Sandbu recounted 20 years of neoliberal failure in the [FT yesterday](#) under the headline:

The west's 20 years of policy self-harm

As he noted:

The crisis itself only happened because of the huge build-up of debt that policymakers treated with reprehensible neglect.

He added:

With huge cross-border credit growth, of course, came huge domestic credit growth. It bears mentioning that this growth was largely in private credit – governments were not particularly profligate, though some had hangovers over legacy debt and, in a crisis, private debts usually end up in public balance sheets anyway. But it was clearly a policy error to allow private credit at this scale: we now know that beyond a certain point, more private credit (whether a higher level or faster growth) is harmful for economic growth and an indicator of a looming financial crisis.

And as he noted:

And we know this not from the sworn enemies of the financial sector, but from such stalwarts of the liberal economic order as the IMF, the OECD and the BIS.

I usually refer to them as the hotbeds of international socialism when I make the same point when speaking in public.

But this was only the start of the error-driven policy. He then says:

After the welcome outburst of good policy in 2008-09, which arrested the downturn and triggered an initially strong recovery, the mistakes continued. In the US and Europe alike, fiscal stimulus was reversed and monetary stimulus was never pushed to the

limit, and was sometimes prematurely withdrawn. The result was slower growth and lower economic activity than would have been achievable, manifest in less than full employment almost everywhere.

In other words, Keynesian policy worked in 2008-09 and thereafter austerity totally failed to deliver.

And this does not just have serious economic ramifications, although that is true. He then notes:

These economic policy mistakes matter beyond the trillions lost in economic value. They are also political mistakes. Economists have shown empirically that financial crises as a rule strengthen hard-right extremes and erode the political centre.

That is, of course, what is happening.

It is good to see such facts being noted in the FT. But it is depressing that Sandbu is not optimistic of the chances of political change. And that's what is really needed.